

By Mr. CARTWRIGHT: A bill (H. R. 14088) for the relief of the heirs of Vina Love; to the Committee on Indian Affairs.

By Mr. ERK: A bill (H. R. 14089) granting an increase of pension to Leah Jones; to the Committee on Invalid Pensions.

Also, a bill (H. R. 14090) granting an increase of pension to Emma F. Johnston; to the Committee on Invalid Pensions.

Also, a bill (H. R. 14091) granting an increase of pension to Ella D. Love; to the Committee on Invalid Pensions.

By Mr. EVANS of California: A bill (H. R. 14092) granting a pension to Emma F. French; to the Committee on Pensions.

Also, a bill (H. R. 14093) granting a pension to Emma C. Relf; to the Committee on Invalid Pensions.

By Mr. GARBER: A bill (H. R. 14094) granting an increase of pension to Sarah L. Walmer; to the Committee on Invalid Pensions.

By Mr. LAMBERTSON: A bill (H. R. 14095) granting an increase of pension to Mary McK. Ferby; to the Committee on Pensions.

By Mr. LEAVITT: A bill (H. R. 14096) for the exchange of certain lands on the Milk River irrigation project; to the Committee on the Public Lands.

By Mr. LICHTENWALNER: A bill (H. R. 14097) for the relief of Luther Edward Savage; to the Committee on Naval Affairs.

By Mr. LOZIER: A bill (H. R. 14098) granting a pension to Nancy Brackett; to the Committee on Invalid Pensions.

By Mr. MARTIN of Massachusetts: A bill (H. R. 14099) for the relief of Francisco P. Lima; to the Committee on Naval Affairs.

By Mr. PATMAN: A bill (H. R. 14100) for the relief of the First National Bank of Bagwell, Tex.; to the Committee on Claims.

By Mr. PRALL: A bill (H. R. 14101) for the relief of the widow and next of kin of James J. Curran; to the Committee on Claims.

By Mr. PURNELL: A bill (H. R. 14102) granting a pension to Elmer E. Oxendine; to the Committee on Pensions.

By Mr. WOODRUFF: A bill (H. R. 14103) granting a pension to Helen J. Selley; to the Committee on Pensions.

By Mr. O'CONNOR: Resolution (H. Res. 342) providing for the payment of six months' compensation to the widow of William J. Curry; to the Committee on Accounts.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

9437. By Mr. COCHRAN of Pennsylvania: Petition of Woman's Home Missionary Society of the Methodist Church, Greenville, Pa., Mrs. John Joslin, president, and Mrs. E. S. Mason, secretary, and Mrs. H. D. Webster, secretary of Erie Conference of Christian Citizenship, urging the enactment of Senate bill 1079 and Senate Resolution 170 and the establishment of a Federal motion-picture commission for the supervision and regulation of the motion-picture industry; to the Committee on Interstate and Foreign Commerce.

9438. By Mr. DAVENPORT (by request): Petition of Charles E. Watson and 22 other citizens of Clinton, N. Y., favoring the stop-alien-representation amendment to the Constitution with respect to the apportionment of congressional districts; to the Committee on the Judiciary.

9439. Also (by request), petition of Frederick R. Griffiths and 21 other citizens of Utica, N. Y., favoring the stop-alien-representation amendment to the Constitution with respect to the apportionment of congressional districts; to the Committee on the Judiciary.

9440. Also, petition of 33 registered voters of the town of Kirkland, Oneida County, N. Y., opposing any legislative action looking toward the legalization and social protection of the liquor business; to the Committee on the Judiciary.

9441. By Mr. GARBER: Petition urging support of the railway pension bills, H. R. 9891 and S. 4646; to the Committee on Interstate and Foreign Commerce.

9442. By Mr. LEAVITT: Petition of various citizens of Loma, Mont., protesting against any change in the eighteenth amendment to the Constitution; to the Committee on the Judiciary.

9443. Also, petition of the officers of the Sidney Women's Christian Temperance Union, protesting against any change in the Volstead Act; to the Committee on the Judiciary.

9444. Also, petition of the Farmers Union Association of Big Horn County, Mont., favoring refinancing of agriculture; to the Committee on Agriculture.

9445. By Mr. MOORE of Ohio: Petition of Belle Adamson, Marietta, Ohio, and others, and Oriella N. Addis and others of Zanesville, Ohio, favoring the stop-alien-representation amendment to the United States Constitution; to the Committee on the Judiciary.

9446. By Mr. PARTRIDGE: Petition of Women's Christian Temperance Union of Norway, Me., favoring passage of the stop-alien-representation amendment to the United States Constitution; to the Committee on the Judiciary.

9447. By Mr. REID of Illinois: Resolution of board of Christian education of the Church of the Brethren of Elgin, Ill., urging that all efforts to modify the Volstead law and to repeal the eighteenth amendment be defeated; to the Committee on the Judiciary.

9448. By Mr. WHITTINGTON: Petition of Legislature of Mississippi, calling upon Congress to effect further economy in governmental expenditures; to the Committee on Appropriations.

SENATE

MONDAY, JANUARY 9, 1933

(Legislative day of Friday, January 6, 1933)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

The VICE PRESIDENT. The Senate will receive a message from the House of Representatives.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Hattigan, one of its clerks, returned to the Senate, in compliance with its request, the bill (S. 4810) to authorize the Secretary of War or the Secretary of the Navy to withhold the pay of officers, warrant officers, and nurses of the Army, Navy, or Marine Corps to cover indebtedness to the United States under certain conditions.

The message announced that the House had agreed to the amendments of the Senate to the joint resolution (H. J. Res. 154) to authorize the merger of street-railway corporations operating in the District of Columbia, and for other purposes.

ENROLLED JOINT RESOLUTION SIGNED

The message also announced that the Speaker had affixed his signature to the enrolled joint resolution (H. J. Res. 154) to authorize the merger of street-railway corporations operating in the District of Columbia, and for other purposes, and it was signed by the Vice President.

CALL OF THE ROLL

The VICE PRESIDENT. The Senate resumes the consideration of the banking bill, and the Senator from Virginia [Mr. GLASS] is entitled to the floor.

Mr. FESS. Mr. President, will the Senator yield to enable me to note the absence of a quorum?

The VICE PRESIDENT. Does the Senator from Virginia yield for that purpose?

Mr. GLASS. I yield.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Ashurst	Bankhead	Bingham	Borah
Austin	Barbour	Black	Bratton
Bailey	Barkley	Blaine	Bulkeley

Bulow	Glenn	McKellar	Smoot
Byrnes	Goldsborough	McNary	Steinwer
Capper	Gore	Metcalf	Stephens
Caraway	Grammer	Moses	Swanson
Carey	Hale	Neely	Thomas, Idaho
Cohen	Harrison	Norbeck	Thomas, Okla.
Connally	Hastings	Norris	Townsend
Coolidge	Hatfield	Nye	Trammell
Copeland	Hayden	Oddie	Tydings
Costigan	Hebert	Patterson	Vandenberg
Couzens	Howell	Pittman	Wagner
Cutting	Hull	Reynolds	Walcott
Davis	Johnson	Robinson, Ark.	Walsh, Mass.
Dickinson	Kendrick	Robinson, Ind.	Walsh, Mont.
Dill	King	Schall	Watson
Fess	La Follette	Schuyler	Wheeler
Fletcher	Lewis	Sheppard	White
Frazier	Logan	Shipstead	
George	Long	Shortridge	
Glass	McGill	Smith	

Mr. MOSES. I desire to announce that the Senator from Pennsylvania [Mr. REED], is absent from the Senate because of illness. I ask that this announcement may stand for the day.

The VICE PRESIDENT. Eighty-nine Senators have answered to their names. A quorum is present.

CLAIMS FOR DAMAGES TO PRIVATELY OWNED PROPERTY (S. DOC. NO. 162)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting estimates of appropriations submitted by the several executive departments to pay claims for damages to privately owned property, in the sum of \$4,395.81, and adjusted under the provisions of law, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

JUDGMENT RENDERED AGAINST THE GOVERNMENT BY DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK (S. DOC. NO. 163)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting, pursuant to law, record of judgment rendered against the Government by the United States District Court for the Southern District of New York, amounting to \$17,416.97, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

JUDGMENTS RENDERED BY THE COURT OF CLAIMS (S. DOC. NO. 164)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting, pursuant to law, a list of judgments rendered by the Court of Claims, submitted by the Attorney General through the Secretary of the Treasury, amounting to \$19,354.43, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

SCHEDULES OF CLAIMS ALLOWED BY THE GENERAL ACCOUNTING OFFICE (S. DOC. NO. 165)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting, pursuant to law, schedules of claims allowed by the General Accounting Office, as covered by certificates of settlement, etc., amounting to \$13,564.45, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

CLAIMS FOR DAMAGES BY COLLISION WITH NAVAL VESSELS (S. DOC. NO. 166)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting estimates of appropriations adjusted and submitted by the Navy Department, pursuant to law, to pay claims for damages by collision with naval vessels, amounting to \$1,243.49, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

SUPPLEMENTAL ESTIMATE, LEGISLATIVE ESTABLISHMENT (S. DOC. NO. 167)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting a supplemental estimate of appropriation pertaining

to the legislative establishment, under the Architect of the Capitol, fiscal year 1932, for maintenance, Senate Office Building (First Street wing), in the sum of \$123,675, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

THE LATE REPRESENTATIVE LINTHICUM

The VICE PRESIDENT laid before the Senate a letter from Mrs. John Charles Linthicum, of Baltimore, Md., expressing her appreciation of the sympathetic action of the Senate upon the occasion of the death of her late husband and Representative of the State of Maryland, which was ordered to lie on the table.

INTERNATIONAL PARLIAMENTARY CONFERENCE ON COMMERCE

The VICE PRESIDENT laid before the Senate a letter from the Secretary of State, transmitting a dispatch from the American Embassy at Rome with an accompanying letter from the secretary general of the International Parliamentary Conference on Commerce, extending to Congress an invitation to be represented at the eighteenth plenary assembly of that organization at Rome in April, 1933, which, with the accompanying papers, was referred to the Committee on Foreign Relations.

WASTE-PAPER SALES IN GOVERNMENT PRINTING OFFICE

The VICE PRESIDENT laid before the Senate a letter from the Public Printer, reporting the receipt of \$53.79 as proceeds from the sale of useless papers in the Government Printing Office, which was referred to the Committee on Printing.

SENATOR FROM OREGON

Mr. McNARY. Mr. President, I present the credentials of my colleague [Mr. STEINWER], and ask that they be read and placed on file.

The credentials were ordered to be placed on file, and were read, as follows:

STATE OF OREGON,
EXECUTIVE DEPARTMENT.

CERTIFICATE OF ELECTION

To all to whom these presents shall come, greeting:

Know ye that it appearing from the official canvass of the vote cast at the general election held within and for the State of Oregon on Tuesday, the 8th day of November, A. D. 1932, that FREDERICK STEINWER, of Multnomah County, State of Oregon, received the highest number of votes cast for the office of United States Senator in Congress at said general election:

Now, therefore, I, Julius L. Meier, Governor of the State of Oregon, by virtue of the authority vested in me under the laws of the State of Oregon, do hereby grant this certificate of election and declare said FREDERICK STEINWER, of Multnomah County, State of Oregon, to be duly elected to the office of United States Senator in Congress for the State of Oregon for the term of six years.

In testimony whereof I have hereunto set my hand and caused the seal of the State of Oregon to be hereunto affixed.

Done at the capitol at Salem, Oreg., this 7th day of December, A. D. 1932.

JULIUS L. MEIER,
Governor.

By the governor:
[SEAL.]

HAL E. HOSS,
Secretary of State.

SENATOR FROM OHIO

Mr. FESS. Mr. President, I send to the desk the certificate of election of Hon. ROBERT J. BULKLEY, of Ohio, to the Senate of the United States. I ask that it be read and placed on file.

The certificate of election was ordered to be placed on file, and was read as follows:

STATE OF OHIO.

CERTIFICATE OF ELECTION OF ROBERT J. BULKLEY TO THE OFFICE OF UNITED STATES SENATOR

This is to certify that at the general election held in the State of Ohio, on the 8th day of November, A. D. 1932, ROBERT J. BULKLEY was duly elected United States Senator from Ohio, and that he is entitled to all the rights and privileges of such office.

Given under my hand and seal at Columbus, Ohio, this 12th day of December, A. D. 1932.

[SEAL.]

CLARENCE J. BROWN,
Secretary of State.

SENATOR FROM CONNECTICUT

Mr. BINGHAM presented the credentials of AUGUSTINE LONERGAN, chosen a Senator from the State of Connecticut

for the term commencing on the 4th day of March, 1933, which were read and ordered to be placed on file, as follows:

STATE OF CONNECTICUT,
EXECUTIVE DEPARTMENT.

To the PRESIDENT OF THE SENATE OF THE UNITED STATES:

This is to certify that on the 8th day of November, 1932, AUGUSTINE LONERGAN was duly chosen by the qualified electors of the State of Connecticut a Senator from said State to represent said State in the Senate of the United States for the term of six years, beginning on the 4th day of March, 1933.

Witness: His excellency our governor, Wilbur L. Cross, and our seal hereto affixed at Hartford, this 1st day of December, A. D. 1932.

By the governor:
[SEAL.]

WILBUR L. CROSS, *Governor.*
WILLIAM L. HIGGINS,
Secretary of State.

SENATOR FROM GEORGIA

Mr. GEORGE presented the credentials of RICHARD B. RUSSELL, jr., chosen a Senator from the State of Georgia for the unexpired term of Hon. William J. Harris, deceased, ending March 3, 1937, which were read and ordered to be placed on file, as follows:

STATE OF GEORGIA,
EXECUTIVE OFFICE,
Atlanta.

To the PRESIDENT OF THE SENATE OF THE UNITED STATES:

A special election having been held in the State of Georgia on the 8th day of November, 1932, for the selection of a United States Senator from Georgia to fill the unexpired term of Hon. William J. Harris, deceased, and the governor, secretary of state, and comptroller general having canvassed, counted, and consolidated the votes cast in said election, and having declared Hon. RICHARD B. RUSSELL, jr., duly elected to said office:

Therefore this is to certify that on the 8th day of November, 1932, Hon. RICHARD B. RUSSELL, jr., was duly chosen by the qualified electors of the State of Georgia Senator to represent said State in the Senate of the United States for the unexpired term of Hon. William J. Harris, deceased, ending March 3, 1937.

In witness whereof I have hereunto set my hand and caused the great seal of the State of Georgia to be affixed at the capitol, in the city of Atlanta, on the 23d day of November, A. D. 1932, and of the independence of the United States of America the one hundred and fifty-seventh.

By the governor:
[SEAL.]

RICHARD B. RUSSELL, Jr.,
Governor.
JOHN B. WILSON,
Secretary of State.

SENATOR FROM KENTUCKY

Mr. LOGAN presented the credentials of ALBEN W. BARKLEY, chosen a Senator from the State of Kentucky for the term commencing on the 4th day of March, 1933, which were read and ordered to be placed on file, as follows:

To the PRESIDENT OF THE SENATE OF THE UNITED STATES:

This is to certify that on the 8th day of November, 1932, ALBEN W. BARKLEY was duly chosen by the qualified electors of the State of Kentucky a Senator from said State, to represent said State in the Senate of the United States for the term of six years, beginning on the 4th day of March, 1933.

Witness his excellency our governor, Ruby Laffoon, and our seal hereto affixed at Frankfort, Ky., this 20th day of December, A. D. 1932.

By the governor:
[SEAL.]

RUBY LAFFOON,
Governor.
SARA W. MAHAM,
Secretary of State.

SENATOR FROM NORTH DAKOTA

Mr. FRAZIER presented the credentials of GERALD P. NYE, chosen a Senator from the State of North Dakota for the term commencing on the 4th day of March, 1933, which were read and ordered to be placed on file, as follows:

STATE OF NORTH DAKOTA,
DEPARTMENT OF STATE,
Bismarck.

CERTIFICATE OF ELECTION

At an election held on the 8th day of November, 1932, GERALD P. NYE was duly elected to the office of United States Senator of the State of North Dakota for a term of six years, commencing on the 4th day of March, 1933.

[SEAL.]

GEO. F. SHAFER, *Governor.*
ROBERT BYRNE,
Secretary of State.
BERTA E. BAKER,
Member State Board of Canvassers.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

ROUTINE BUSINESS

After the Vice President had presented several petitions several Senators addressed the Chair.

Mr. GLASS. I yield for the transaction of routine business.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a telegram in the nature of a memorial from C. E. Blomquist, of Kansas City, Mo., remonstrating against the passage of proposed legislation, to include hogs, in the domestic-allotment plan for agricultural relief, which was referred to the Committee on Agriculture and Forestry.

He also laid before the Senate a letter from L. J. Keller, dated at Chicago, Ill., January 1, 1933, with an accompanying communication, relative to certain remarks made by Hon. THOMAS D. SCHALL, a Senator from the State of Minnesota, in the Senate in connection with bonds sold by the Leob Arcade, which, with the accompanying paper, was referred to the Committee on Finance.

Mr. GLENN. Mr. President, I present the petition of the Tax Service Association of Illinois, addressed to the Congress of the United States, praying that the voluntary-allotment plan shall not be enacted and submitting a substitute plan for agricultural relief, which I ask may be referred to the Committee on Agriculture and Forestry.

The VICE PRESIDENT. The petition will be received and so referred.

Mr. GOLDSBOROUGH presented papers to accompany the bill (S. 5214) to correct the naval record of Michael Budzinski, which were referred to the Committee on Naval Affairs.

Mr. ROBINSON of Indiana presented resolutions adopted by Charles Forrest Post, No. 288, the American Legion, of Veedersburg, Ind., protesting against the passage of legislation reducing payments of pensions, compensation, or disability allowances of veterans of any wars, which were referred to the Committee on Finance.

Mr. CAPPER presented petitions of the First Christian Sunday School, of Attica, and the Woman's Home Missionary Society of the Methodist Episcopal Church of Delphos, both in the State of Kansas, praying for the prompt ratification of the World Court protocols, which were ordered to lie on the table.

He also presented petitions of the First Christian Sunday School, of Attica, and the Woman's Home Missionary Society of the Methodist Episcopal Church of Delphos, both in the State of Kansas, praying for the passage of legislation to regulate the motion-picture industry, which were ordered to lie on the table.

Mr. WALCOTT presented the petition of the Woman's Home Missionary Society of the First Methodist Church of Hartford, Conn., praying for the passage of legislation to regulate the motion-picture industry, which was ordered to lie on the table.

He also presented the petition of the Woman's Home Missionary Society of the First Methodist Church of Hartford, Conn., praying for the prompt ratification of the World Court protocols, which was ordered to lie on the table.

He also presented the memorial of the national organization of the Woman's Relief Corps, auxiliary to the Grand Army of the Republic, Greenwich, Conn., remonstrating against the recognition of the Soviet Government of Russia, which was referred to the Committee on Foreign Relations.

He also presented memorials of the Woman's Christian Temperance Union of Watertown, and members of the Church and Bible School of the Baptist Church, of Niantic, in the State of Connecticut, remonstrating against the repeal of the eighteenth amendment of the Constitution or the modification of the national prohibition law, which were referred to the Committee on the Judiciary.

He also presented letters and a telegram in the nature of petitions from Colonel Jeremiah Wadsworth Branch, Connecticut Society of the Sons of the American Revolution, of Hartford; the Connecticut Daughters of the American Revolution, of New Haven; and Stamford Chapter, Daughters of the American Revolution, of Stamford, all in the State of Connecticut, praying for the passage of the so-called Dies bill, being the bill (H. R. 12044) to provide for the exclusion and expulsion of alien communists, which were ordered to lie on the table.

He also presented the memorial of Campilio-Holmes Post, No. 123, the American Legion, of Rocky Hill, Conn., remonstrating against reduction in the appropriations for disabled veterans, which was referred to the Committee on Finance.

He also presented letters in the nature of petitions from Roberts-Bouchet Auxiliary, the American Legion, of Norfolk, and Earl W. Green Unit, No. 52, the American Legion Auxiliary, of Coventry-Mansfield, both in the State of Connecticut, praying for the passage of House bill 4633, known as the widows' and orphans' pension bill, which were referred to the Committee on Finance.

He also presented a letter in the nature of a petition from the American Legion Auxiliary, Department of Connecticut, East Hartford, Conn., praying for the passage of legislation known as the widows and orphans pension bill, which was referred to the Committee on Finance.

He also presented petitions of sundry citizens of New London, Groton, New Canaan, Central Village, Norwich, New Haven, Putnam, Danielson, Stonington, Poquonnock Bridge, West Mystic, Gales Ferry, and Lyme, all in the State of Connecticut, praying for the passage of Senate bill 4646, or House bill 9891, the so-called Hatfield-Keller bills, relative to the retirement of railway employees, which were referred to the Committee on Interstate Commerce.

Mr. COPELAND presented a resolution adopted by the Kings County American Legion, at Brooklyn, N. Y., protesting against any reduction of the personnel of the United States Marine Corps, which was referred to the Committee on Naval Affairs.

He also presented the petition of Louis Barlet, of Masbate, P. I., praying for the enactment of legislation to provide pensions for American citizens who have rendered service to the Bureau of Education of the Philippine Islands, which was referred to the Committee on Territories and Insular Affairs.

He also presented the memorial of the Long Island Chamber of Commerce, of New York City, N. Y., remonstrating against the ratification of the Great Lakes-St. Lawrence seaway treaty, which was referred to the Committee on Foreign Relations.

He also presented resolutions of Alan F. Waite Post, No. 299, the American Legion, of Yonkers, and the Sullivan County organization, the American Legion, of Narrowsburg, both in the State of New York, remonstrating against the payment of adjusted-compensation certificates (bonus) of World War veterans, which were referred to the Committee on Finance.

He also presented a petition of sundry citizens of Valatie, N. Y., praying for the enactment of legislation providing for the exclusion of aliens in the count of population for the apportionment of Representatives in Congress, which was referred to the Committee on the Judiciary.

He also presented memorials of sundry citizens of the State of New York, remonstrating against the legalization of liquors containing more than one-half of 1 per cent of alcohol, which were referred to the Committee on the Judiciary.

He also presented a memorial of sundry citizens of New York City, N. Y., remonstrating against the repeal of the eighteenth amendment to the Constitution or the legalization of the manufacture and sale of beer and favoring means to make national prohibition more effective, which was referred to the Committee on the Judiciary.

He also presented a resolution adopted at Binghamton, N. Y., by the New York State Highway Chapter of the Asso-

ciated General Contractors of America (Inc.), protesting against proposed reductions in amount of Federal aid to the States in the construction of highways, which was referred to the Committee on Appropriations.

He also presented a resolution adopted by the Manhattan Chapter, Reserve Officers' Association of the United States, of New York City, N. Y., favoring the making of adequate appropriations for the maintenance of the Army and the strength of civilian components thereof, which was referred to the Committee on Appropriations.

He also presented a resolution adopted at Washington, D. C., by Federal Chapter No. 6, Disabled American Veterans of the World War, protesting against the discontinuance of the United States Employment Service, which was referred to the Committee on Appropriations.

He also presented a resolution of the Huhn Manufacturing Co., of New York City, N. Y., favoring the repeal of the so-called economy act, which was referred to the Committee on Appropriations.

GREAT LAKES-ST. LAWRENCE DEEP WATERWAY TREATY

Mr. VANDENBERG. There has been considerable discussion, Mr. President, about the effect of the pending St. Lawrence seaway treaty upon the sovereign rights of the United States in Lake Michigan. I have been persuaded for some time that there is no validity to objections to the treaty upon this score. It is, nevertheless, an important consideration upon which we want all valid illumination. In line with this purpose I submitted four pertinent questions to the State Department and asked for categorical answers. I ask consent that the responsive letters from Assistant Secretary of State Rogers be printed in the RECORD.

There being no objection, the letter was referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

DEPARTMENT OF STATE,
Washington, January 5, 1933.

The Hon. ARTHUR H. VANDENBERG,
United States Senate.

MY DEAR SENATOR VANDENBERG: I have received your letter of January 4, 1933, in which you request answers to the following questions in connection with the Great Lakes-St. Lawrence deep waterway treaty, signed July 18, 1932:

"1. Does the St. Lawrence treaty 'surrender sovereignty' over Lake Michigan in any degree?"

"2. Under international law and practice between civilized neighbors, has our 'sovereignty' in Lake Michigan ever included—or does it now include—an unlimited right of diversion from Lake Michigan in the event of Canadian protest that the diversion involves a trespass upon Canadian rights in boundary and connecting waters?"

"3. Under all of our general arbitration treaties with Great Britain, would not such a diversion question have come squarely within our obligation to arbitrate?"

"4. As a matter of fact, does not this pending treaty represent Canada's first and only official concession to an 'American sovereignty' over any diversion from Lake Michigan at Chicago for any purposes?"

My answers to these four questions are as follows:

1. The Great Lakes-St. Lawrence deep waterway treaty, signed July 18, 1932, does not surrender in any sense the sovereignty of the United States over Lake Michigan. The net result of the pertinent article of the treaty (art. 8) is to establish for a diversion of water from Lake Michigan at Chicago restrictions similar in effect to those provided for in the boundary waters treaty of 1909 in the case of future diversion from Lake Michigan.

2. Sovereignty does not, and should not, include the right to use a nation's property in such a manner as to constitute a trespass in a neighboring country upon vested rights of that country.

3. The United States has for generations been a leader in accepting and applying the principle of arbitration for the settlement of international claims and disputes. The practice has been extensively resorted to, particularly in the case of Great Britain and Canada, and I can not conceive of an abandonment of it. There exists between the United States and Great Britain a conciliation treaty, proclaimed November 11, 1914, applicable to matters connected with Canada, containing the language that the nations "agree that all disputes between them of every nature whatsoever, other than disputes the settlement of which is provided for and in fact achieved under existing agreements between the high contracting parties, shall, when diplomatic methods of adjustment have failed, be referred for investigation and report to a permanent international commission" As the boundary waters treaty of 1909 neither attempted nor achieved the settlement as between the Governments of questions such as those which arise from diversions from Lake Michigan, the general practices and obligations of the United States in regard to arbitration or conciliation would no doubt be followed without departure.

4. As you are doubtless aware, a number of cities in the United States and Canada use water from the Great Lakes for domestic purposes. Ultimately, however, the water taken out of the Lakes is returned to the Great Lakes watershed in every case, I believe, except at Chicago, where the water is diverted to another watershed through the drainage canal. In the pending treaty Canada formally acquiesces for the first time in a diversion of water from Lake Michigan and the Great Lakes watershed to the Mississippi River.

Sincerely yours,

JAMES GRAFTON ROGERS.

POSTWAR PROBLEMS

Mr. SCHALL. Mr. President, there has come to my notice a letter written to Dr. Benjamin Anderson, jr., by W. H. Woodbury, of Duluth, Minn.

It is so well stated and concise that I think it ought to be put in the RECORD. I ask unanimous consent to have the letter printed.

There being no objection, the letter was referred to the Committee on Finance and ordered to be printed in the RECORD, as follows:

DULUTH, MINN., December 27, 1932.

DR. BENJAMIN ANDERSON, JR.,

Chase National Bank, New York, N. Y.

DEAR DOCTOR ANDERSON: Basically the theory of free trade is sound, but in so many cases there are other economic factors that have such an important bearing on the question that as a practical matter free trade often becomes economic suicide. However, it is not assumed that you are an advocate of free trade.

The figures quoted in your St. Louis address indicate a large falling off in the value of both exports and imports. But is the ratio of the balance in our favor so greatly different? This falling off, however, is more apparent than real when the decrease in prices is taken into consideration.

It is not clear what you are advocating. Do you desire that the tariff be lowered until the trade balance is against the United States? The "visible" trade balance is not a true picture of the situation. The two great invisible factors must be considered, namely, our tourist expenditures in Europe and the remittance made by residents of the United States to friends and relatives in Europe.

Perhaps you think lowering the tariff somewhat may stimulate business in Europe and make them so prosperous they can more easily find the money. But this does not solve the money transfer problem.

After all the tariff is 99 per cent, a matter of self-interest, and the opinion of almost everyone is determined by this consideration.

In all probability changes in the present tariff could be made to the advantage of both ourselves and our neighbors, but in the present situation its effect is very much overstated by the propagandists seeking reduction.

It is easy to believe that certain groups of bankers and financiers in the United States are endeavoring to induce us to cancel or reduce the intergovernment debts so that they can recover more of the private loans they have made and in most cases sold to their clients in the United States.

There is another consideration that must not be overlooked. The United States is regarded as the world's price "easy mark," and unless a change of attitude is adopted things will go from bad to worse until war may be the outcome.

The people of the United States have had since the time of Lafayette a warm friendship for France and the French people. But this feeling is undergoing a marked change as a result of a number of incidents that seem to indicate that France is far from the brave and gallant country we were taught to believe her to be.

First. Our soldiers almost without exception report that they were overcharged, imposed upon, and victimized at every turn. As far back as I can get information, American tourists have been treated in this same way. So this is nothing new. In this treatment of tourists France is merely like nearly all the other Europeans. Of late, however, she is the ringleader.

Second. The appraisal made of the equipment and supplies we turned over to the French at the close of the war was such that they were asked to pay only one-third or one-fourth what these materials cost us. I know of this appraisal from a friend who was one of the United States representatives in this appraisal work.

These supplies were to a large extent sold to the Balkans and Poland by the French at a profit. At least the French have to date received more for this sale than they have paid us.

Third. The Debt Settlement Commission reduced the French obligation to less than 50 per cent, and made the interest rate less than 2 per cent, as compared with over 3 per cent charged Great Britain on a debt scaled down to 82 per cent.

This favoritism was shown to France in spite of the fact that the United States has never been given the favored-nation position in trade with France, whereas our exports have entered Great Britain on practically a free-trade basis.

Fourth. France received a liberal share of the spoils of war in territory, mandates, indemnities, and reparations. We asked for nothing and received nothing but blame, abuse, and sneers.

Fifth. Since the war she has been busily engaged in political and financial intrigue in Europe, and to-day has created a feeling of tension that may result in war.

The financial intrigues consist in loaning for political purposes large sums to the states surrounding Germany and Italy, while at the same time she is asserting her inability to pay us.

Sixth. She is spending about half a billion dollars annually on armaments and pleading poverty too great to pay her debts.

Seventh. Her actions in connection with the Hoover moratorium were utterly selfish and to a degree lessened its effectiveness.

Eighth. The raid made on the gold reserve in the United States can not be interpreted as a friendly deed.

There are some extenuating circumstances that in part may soften the condemnation France deserves. In fact, I am inclined to believe the French people are being misled and imposed upon by a powerful group of imperialistic politicians and financiers. The desire for security is to be sincerely sympathized with; but it has gone so far that it has become a threat. There are grounds for hope that disarmament will receive increasing support until peace will be assured. Otherwise, war is inevitable.

The best way for the French to reduce their taxes is to cut down on arms expenditures.

It is regrettable that there are so many resident and nonresident citizens of this country who are incessantly slurring our institutions, manners, culture, Government, etc. To hear them rail, one wonders why they retain citizenship.

We may have been easily duped and too sentimental, but it has been largely because of our generosity, however ill-advised it may have been. It is now time for us to become somewhat "hard boiled," at least firm, with those who have continually abused our generosity. We shall gain in respect and lose little in good will. We should be just, but not "easy."

Foreigners call us "dollar chasers" in one breath and in the next wasteful and extravagant. Neither is entirely true. Americans like not only to make money, but also to be generous with it. The champion money grabbers, hoarders, and pinchers are the European peoples. They call it thrifty and within reason it is commendable; but they can not consistently accuse us of being "bloodsuckers" and "Shylocks."

Our people have been first to pour out money for alleviating distress throughout the world. It is said that the receiver of alms usually despises or even hates the giver. Our case seems to prove its truth.

You say we should "collect all that we can consistent with getting business going again." The international bankers place entirely too much emphasis on the benefits of foreign trade because of their direct interest in its financial transactions they overrate the effect these debts are having on the world's economic situation and trade.

World trade is desirable if mutually beneficial and profitable, but it is by no means the all-controlling factor in the equation. Ninety per cent of our troubles are right here at home—extravagant government, lowered individual self-reliance, widespread speculation caused by the desire to get something for nothing, political nostrums to relieve the farmer, proposals to embark on great unsound construction projects to relieve unemployment, large public and private debts, doles of various kinds, direct and indirect, Government competition in business, oppressive regulation of business.

Taxpayers, business men, and investors are being frightened by all kinds of unwise legislative action and proposed wasteful expenditures.

Convincing evidence that taxes will be materially reduced would do much to encourage improvement.

If a foreign government can not pay us, it is "just too bad," but not fatal to our economic life. The ones who can pay and will not should be treated with contempt without our entering upon a campaign of reprisals. The less said the better. They will be punished by the loss of the world's respect which it will take a long time to recover. We should not even discuss the situation with the willful defaulters.

Nor should we show favoritism as between our debtors. Each should pay the same interest. No one is qualified to apply the "ability to pay" scale. The most important matter for us to attend to is our own internal affairs and not be trying to cure our depression by further foreign entanglements. I urge you and Chase to cease this campaign to promote policies that are unsound and unfair to American people.

Sincerely,

W. H. WOODBURY.

REPORTS OF COMMITTEES

Mr. HALE, from the Committee on Appropriations, to which was referred the bill (H. R. 13975) making appropriations to supply urgent deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1933, and for other purposes, reported it with amendments and submitted a report (No. 1017) thereon.

Mr. FLETCHER, from the Committee on Banking and Currency, to which was referred the bill (S. 5306) to provide for the redemption of national-bank notes, Federal-reserve bank notes, and Federal-reserve notes which can

not be identified as to the bank of issue, reported it without amendment and submitted a report (No. 1018) thereon.

Mr. SHIPSTEAD, from the Committee on Public Buildings and Grounds, to which was referred the joint resolution (S. J. Res. 226) to provide for the use of granite and/or marble in the erection of certain memorials and public buildings, reported it without amendment.

Mr. PATTERSON, from the Committee on Mines and Mining, to which was referred the bill (S. 5137) providing for the suspension of annual assessment work on mining claims held by location in the United States and Alaska, reported it with an amendment and submitted a report (No. 1019) thereon.

He also, from the Committee on Military Affairs, to which was referred the bill (S. 2519) granting an honorable discharge to Frank I. Otis, first lieutenant, Fourth Regiment United States Cavalry, reported it with amendments and submitted a report (No. 1020) thereon.

Mr. BLAINE, from the Committee on the Judiciary, to which was referred the joint resolution (S. J. Res. 211) proposing an amendment to the Constitution of the United States, reported it with an amendment and submitted a report (No. 1022) thereon.

TREASURY AND POST OFFICE DEPARTMENTS APPROPRIATION BILL

Mr. ODDIE. From the Committee on Appropriations. I report back favorably from that committee, with amendments, the bill (H. R. 13520) making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1934, and for other purposes, and I submit a report (No. 1021) thereon. At the first opportunity I shall ask the Senate to consider this bill.

The VICE PRESIDENT. Meanwhile the bill will be placed on the calendar.

DISPOSITION OF USELESS PAPERS IN THE VETERANS' ADMINISTRATION

Mr. SMOOT. Mr. President, from the Joint Select Committee on the Disposition of Useless Papers in the Executive Departments I report back a letter from General Hines, Administrator of Veterans' Affairs, dated December 14, 1932, with accompanying lists, asking authority for the destruction of certain worthless papers in the Veterans' Administration. I ask that the request be complied with.

The VICE PRESIDENT. Without objection, the request for the destruction of the papers is complied with.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred, as follows:

By Mr. WAGNER:

A bill (S. 5335) for the relief of the General Baking Co.; to the Committee on Claims.

A bill (S. 5336) to amend the emergency relief and construction act of 1932; to the Committee on Banking and Currency.

By Mr. FLETCHER:

A bill (S. 5337) to amend the Federal farm loan act, as amended, to permit loans for additional purposes, to extend the powers of Federal land banks in the making of direct loans, to authorize upon certain terms the reamortization of loans by Federal and joint-stock land banks, and for other purposes; to the Committee on Banking and Currency.

By Mr. SWANSON:

A bill (S. 5338) for the relief of the Virginia Engineering Co. (Inc.); to the Committee on Claims.

A bill (S. 5339) to authorize the Secretary of War to deed certain properties to the State of Virginia in order to connect Lee Boulevard with the Arlington Memorial Bridge; to the Committee on Military Affairs.

By Mr. PITTMAN:

A bill (S. 5340) for the relief of Fred M. Munn; to the Committee on Military Affairs.

By Mr. STEIWER:

A bill (S. 5341) to provide for the termination of Federal operation of the Hermiston irrigation district and the West Extension irrigation district of the Umatilla irriga-

tion project, Oregon; to the Committee on Irrigation and Reclamation.

By Mr. DILL:

A bill (S. 5343) granting a pension to Rose Bingman (with accompanying papers); to the Committee on Pensions.

By Mr. NEELY:

A bill (S. 5344) granting a pension to Martha Caplinger; and

A bill (S. 5345) granting a pension to Poindexter Toney; to the Committee on Pensions.

By Mr. WALSH of Massachusetts:

A bill (S. 5346) granting a pension to Mary Roode (with accompanying papers); to the Committee on Pensions.

By Mr. KING:

A bill (S. 5347) to amend the act of March 2, 1929 (45 Stat. 1512); to the Committee on Immigration.

A bill (S. 5348) for the relief of the Confederated Bands of Ute Indians, located in Utah, Colorado, and New Mexico; to the Committee on Indian Affairs.

By Mr. TYDINGS:

A bill (S. 5349) conferring jurisdiction upon the United States District Court for the Northern District of California to hear, determine, and render judgment upon the claim of Fred Owens; to the Committee on Claims.

By Mr. HULL:

A bill (S. 5350) providing for loans or advances by the Reconstruction Finance Corporation through its regional credit corporations to farm mortgagors, to enable them to lower the rate of interest on their farm mortgage loans and to secure the postponement of the foreclosure of farm mortgages for a period of two years, and for other purposes; to the Committee on Banking and Currency.

By Mr. ROBINSON of Indiana:

A bill (S. 5351) for the relief of E. O. Hall; to the Committee on Claims.

A bill (S. 5352) for the relief of George L. Brower; and

A bill (S. 5353) for the relief of Jake Petreuski (with accompanying papers); to the Committee on Finance.

A bill (S. 5354) granting a pension to Anna M. Mendel; and

A bill (S. 5355) granting a pension to Byron E. Murphy (with accompanying papers); to the Committee on Pensions.

By Mr. MOSES:

A bill (S. 5356) for the relief of George D. Johnson (with accompanying papers); to the Committee on Naval Affairs.

By Mr. McNARY:

A bill (S. 5357) to extend the times for commencing and completing the construction of a bridge across the Columbia River at or near Astoria, Oreg.; to the Committee on Commerce.

(By request.) A bill (S. 5358) to make the tariff effective on agricultural commodities domestically consumed; to the Committee on Agriculture and Forestry.

By Mr. BULKLEY:

A bill (S. 5359) granting an increase of pension to Rachel Heizeman (with accompanying papers); to the Committee on Pensions.

A bill (S. 5360) to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, and acts amendatory thereof and supplementary thereto; to the Committee on the Judiciary.

By Mr. HAYDEN:

A bill (S. 5361) to provide for the selection of certain lands in the State of Arizona for the use of the University of Arizona; to the Committee on Public Lands and Surveys.

By Mr. ODDIE:

A bill (S. 5362) authorizing the Secretary of the Treasury to pay certain subcontractors for material and labor furnished in the construction of the post office at Las Vegas, Nev.; to the Committee on Public Buildings and Grounds.

PURCHASE OF SILVER BY ISSUANCE OF SILVER CERTIFICATES

Mr. DILL. I ask unanimous consent to introduce a bill and that it be referred to the Committee on Banking and Currency. It is a bill to authorize the Secretary of the

Treasury to purchase silver by issuing silver certificates. I should like to have it printed at this point in the RECORD as a part of my remarks.

The VICE PRESIDENT. Without objection, that order will be made.

The bill (S. 5342) to authorize the Secretary of the Treasury to purchase silver by issuance of silver certificates and for the redemption of the same, and for other purposes, was read twice by its title, referred to the Committee on Banking and Currency, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That the Secretary of the Treasury is hereby authorized to purchase silver bullion, at the market price, and to pay for same by issuing to the seller or sellers silver certificates in denominations of \$5, \$10, \$20, \$50, and \$100, payable to bearer on demand, as hereinafter provided, to the amount of \$250,000,000: *Provided,* The Secretary of the Treasury shall not purchase silver bullion at a market price in excess of \$1.25 per ounce.

The said silver certificates are hereby made legal tender and shall be accepted at their full face value for all debts and dues, public and private, of every nature and description, and when accepted by the Government in payment of debts shall be reissued and in all respects shall become a part of the lawful money of the United States.

There shall be engraved on one side of each silver certificate so issued a statement to the effect that the certificate is payable in silver to an amount equivalent when valued in gold to the face value of the certificate, and on the reverse side a statement that the certificate is legal tender for all debts, both public and private.

The bullion purchased under this act shall be stored in the Treasury of the United States in blocks or bricks of standardized and uniform fineness and in convenient units by weight and stamped by authorized official stamp, as may be determined within the discretion of the Secretary of the Treasury: *Provided,* The Secretary of the Treasury, in his discretion, may coin any part or all of said silver into silver dollars, half dollars, quarters, and/or dimes.

Should at any time the amount of silver bullion acquired and deposited in the Treasury under this act become in value less than 10 per cent of the face value of all certificates outstanding against same, the Secretary of the Treasury shall at once proceed to purchase a sufficient amount of silver bullion and deposit same in the Treasury until the amount on deposit in the Treasury shall again be equivalent in value in gold to the total face value of all certificates issued and outstanding against same, and the sum of \$10,000,000 is hereby appropriated to be used for that purpose, if necessary.

Upon the presentation for redemption, by the bearer, of silver certificates provided for in this act, there shall be delivered to the holder of the certificate an amount of silver, either in bullion or in silver dollars, gold, or lawful money of the United States, equal to the gold equivalent in value of the certificate so presented at the market price of silver as of the day prior to the date of presentation.

The Secretary of the Treasury is authorized and directed to make rules and regulations for carrying out the provisions of this section.

AMENDMENT TO TREASURY AND POST OFFICE DEPARTMENTS APPROPRIATION BILL

Mr. NORBECK submitted an amendment intended to be proposed by him to House bill 13520, the Treasury and Post Office Departments appropriation bill, which was ordered to lie on the table and to be printed, as follows:

On page 82, in lines 7 and 8 (of the bill as reported to the Senate), to strike out the following words: "To the permanent annual appropriations for vocational education."

AMENDMENTS TO BANKING BILL

Mr. BULKLEY, Mr. GLASS, Mr. SHIPSTEAD, and Mr. THOMAS of Oklahoma each submitted an amendment intended to be proposed by them, respectively, to the bill (S. 4412) to provide for the safer and more effective use of the assets of Federal reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, which were severally ordered to lie on the table and to be printed.

EXPENSES OF SENATE COMMITTEE ATTENDING THE FUNERAL OF FORMER PRESIDENT COOLIDGE

Mr. WALSH of Massachusetts submitted the following resolution (S. Res. 318), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Secretary of the Senate be, and he is hereby, authorized and directed to pay, out of the appropriation for miscellaneous items of the contingent fund of the Senate, the actual

and necessary expenses of the Senate committee appointed to attend the funeral obsequies of Hon. Calvin Coolidge, late a President of the United States, on voucher or vouchers properly allowed by the Committee to Audit and Control the Contingent Expenses of the Senate.

DISCUSSIONS BETWEEN PRESIDENT HOOVER AND PREMIER LAVAL

Mr. MOSES. Mr. President, last week in the course of the discussion a colloquy took place on the floor of the Senate between the Senator from Idaho [Mr. BORAH] and the Senator from Pennsylvania [Mr. REED] with reference to what took place during the visit of Premier Laval to this country. There seems to be some difference between the two Senators as to the facts in the case. The Senator from Pennsylvania [Mr. REED] communicated with the Secretary of State and also with the Secretary of the Treasury to ask their recollection and opinion of the matter. He has received from them the letters which I hold in my hand. In the absence of the Senator from Pennsylvania, he being detained from the Senate by illness, I ask unanimous consent that these communications may be printed in the RECORD.

Mr. BORAH. Mr. President, I have no objection, of course, to the letters being printed in the RECORD, although I do not know what they are. But if they are relative to the colloquy which took place upon Wednesday, while I do not desire to interfere with the Senator from Virginia [Mr. GLASS] until he concludes his speech, at the conclusion of his speech I shall make some reference to the letters.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The letters are as follows:

THE SECRETARY OF STATE,
Washington, January 5, 1933.

The Hon. DAVID A. REED,
United States Senate.

MY DEAR SENATOR REED: I have received your inquiry as to the discussions which took place last year between President Hoover and Monsieur Laval. According to my recollection—and that is quite clear—so far as these discussions touched upon the subject of debts and reparations they were limited entirely to temporary steps which might be taken to offset the effects of the depression. Monsieur Laval's position was that any such step, if taken by France, as to reparations should be limited entirely to steps taken within the provisions of the Young plan, which, he insisted, must continue in full force and effect. This in itself indicated that any remedial proposals would be of a temporary nature.

The President based his own position upon the long-established American position that the payments of our war debts were not in any way contingent upon German reparations but were based solely on the capacity of each individual debtor to pay as it might be affected by the depression.

No cancellation or revision of either debts or reparations was proposed by either side. No assurances or commitments on such subject was either asked for or given. The communiqué given out at the close of these discussions was an accurate statement of the discussion in all these respects.

Sincerely yours,

HENRY L. STIMSON.

THE SECRETARY OF THE TREASURY,
Washington, January 5, 1933.

Hon. DAVID A. REED,
United States Senate, Washington, D. C.

DEAR SENATOR REED: I have your letter of January 5 as to discussions which took place in the Senate yesterday, and asking specifically whether during the conversations which took place between President Hoover and Prime Minister Laval anything was said to Monsieur Laval which would justify his understanding that France might expect debt reductions from us if she reduced or canceled German reparations.

I was present at all of the meetings between the President and Premier Laval. I can say without qualification that there is no justification for any assertion or belief that during the course of those conversations any assurance, direct or implied, was given that there would be a revision of French debt obligations to the United States in consideration of a revision of German reparations such as subsequently took place at Lausanne.

In fact, no commitments were made, and the communiqué issued at the time is a strictly accurate recital of the nature of the discussions. That communiqué said in part as follows:

"An informal and cordial discussion has served to outline with greater precision the nature of the problems. It has not been the purpose of either of us to engage in commitments binding our Governments but, rather, through development of fact, to enable each country to act more effectively in its own field."

Moreover, the informal economic discussions were limited to the problems of a temporary nature arising from the economic depression and to the possibility that in some cases a temporary modification of existing agreements might be necessary during the period of world-wide economic depression. In so far as Ger-

man reparations are concerned, far from entertaining or suggesting any thought of permanent revision, Premier Laval was insistent that whatever relief was to be granted must be within the framework of the Young plan. The following paragraph contained in the communiqué of October 25, 1931, states with exact precision the character of this discussion and the limitations within which it took place:

"In so far as intergovernmental obligations are concerned we recognize that prior to the expiration of the Hoover year of postponement, some agreement regarding them may be necessary covering the period of business depression, as to the terms and conditions of which the two Governments make all reservations. The initiative in this matter should be taken at an early date by the European powers principally concerned within the framework of the agreements existing prior to July 1, 1931."

It will be noted that any possible agreements are limited to agreements covering the period of depression; that as to the terms and conditions of any possible agreements all reservations are made, or, in other words, that no commitments had been made, and that any possible action by the European powers should be within the framework of existing agreements.

Nothing was said—and I heard everything that was said—that would justify any assumption on the part of either the French Government or the French people that the revision of reparations agreements would be followed by revision of debt settlements with the United States Government.

The President has consistently upheld the long-established American policy, both before, during, and after these conversations, that the payments to the United States were not contingent on German reparations. There is no substance or implication from these discussions, nor any agreement on this occasion which could be interpreted in the remotest degree as a warranty for French default on their obligations to the United States.

Faithfully yours,

OGDEN L. MILLS.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Haltigan, one of its clerks, communicated to the Senate the intelligence of the death of Hon. Robert R. Butler, late a Representative from the State of Oregon, and transmitted the resolutions of the House thereon.

The message also communicated to the Senate the intelligence of the death of Hon. Samuel A. Kendall, late a Representative from the State of Pennsylvania, and transmitted the resolutions of the House thereon.

THE WHEAT SITUATION

Mr. SCHALL. Mr. President, I notice an article written by James S. Milloy in the Minneapolis Tribune, which paper has consistently been the farmers' friend, containing information that should be of interest to the farmers of my State and elsewhere and to anyone interested in the farmers' dilemma. It also contains a complete refutation of the late Democratic assertions relative to tariff, pointing out that countries to whom we ship wheat have tariff barriers ranging from 37 cents to \$7 per bushel.

I ask unanimous consent that this article may be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Minneapolis Tribune, December 25, 1932]

FIVEFOLD PROBLEM OF WHEAT FARMER STUDIED BY TWIN CITY BUSINESS MEN—PLIGHT OF GRAIN GROWER OUTLINED BY PROF. M. L. WILSON—ALLOTMENT PLAN REVIEWED AT MEETING CALLED BY WEBBER

By James S. Milloy

Farm leaders, agricultural economists, and business executives are finally catching up with the fundamental difficulty of the American wheat producer. Almost every spokesman for agricultural relief to-day associates with his favored legislative program some plan by which the production of wheat in the United States can be reduced.

But a few years ago, the spokesman for agricultural relief centered his demands on changes in the system of wheat marketing, running very largely to farmer-owned cooperative wheat marketing agencies as the remedy. Then came a period of demand for legislation to establish a price in the American market without regard for world prices, absorbing losses on exported wheat by spreading it over that part of the crop domestically consumed. That was the philosophy of the equalization fee of the McNary-Haugen bills, followed closely by the debenture plan.

Now, with the futile stabilization efforts of the Farm Board as the more recent contribution to attempts arbitrarily to lift the prices of wheat in the United States without regard to world conditions, wheat production, or world prices, the demand is unanimous that efforts to assist the wheat farmer must be associated with a program for a reduction in wheat production in this country.

PREVIOUS PROBLEMS INSIGNIFICANT

Briefly, the current problem of the American wheat producer, which relegates problems of earlier periods to insignificance, can be summarized as follows:

The postwar determination of European countries to become economically self-sufficient by stepping up their tariffs on wheat with resultant increases in wheat production.

Increased production in the United States during the past five years as compared with the 1921-1925 period, largely traceable to the exceptional crop of 900,000,000 bushels in 1931.

Increased production during the past five years in Canada, Australia, and Argentina, the other great exporting nations, as compared with the 1921-1925 period.

Decrease in wheat exports from the United States from around 250,000,000 bushels in 1921 and 1922 to approximately 130,000,000 bushels in 1930 and 1931, a decrease of almost 50 per cent.

Increase in wheat carry-over in the United States from the somewhat normal figure of 118,000,000 bushels in 1927 to 363,000,000 bushels in 1932, an increase of more than 200 per cent.

CHARTS EXPLAIN SITUATION

These facts were brought to the attention of business leaders of Minneapolis and St. Paul during the past week at a meeting called by C. C. Webber, of Minneapolis, for the purpose of having Prof. M. L. Wilson, farm economist, associated with the Montana State college at Bozeman, Mont., outline the voluntary domestic-allotment plan for lifting the price of wheat and other crops of which this country produces a surplus. His plan calls for a consumer's tax on that part of the crop domestically consumed, the amount thus realized to be prorated to farmers who join in a reduction program. The accompanying charts, prepared by the Bureau of Agricultural Economics of the United States Department of Agriculture were used by Professor Wilson to explain the plight of the American wheat producer to-day.

CHART NO. 1

Chart No. 1 shows the gradual stepping up of wheat tariffs in Germany, France, and Italy, a program on the part of European countries starting in 1926 and 1927 and before the Hawley-Smoot Tariff Act was passed in 1930.

Germany had a wheat tariff of 49 cents a bushel in 1926, increasing this duty to 62 cents in January, 1930, to 78 cents three months later, to 97 cents in September of the same year, then to \$1.20 the following month, and finally to \$1.62 in November, 1930. It continues to remain at this figure.

France had a duty of 17 cents in April, 1926, decreasing it to 8 cents that fall, but starting it upward again when the figure was fixed at 20 cents in January, 1927. In September, 1927, France increased this duty to 27 cents and to 37 cents two months later. In May, 1929, the duty was increased on wheat imports into France to 53 cents a bushel, and a year later, in May, 1930, was increased to the present figure of 85 cents a bushel.

Italy had a duty of 39 cents a bushel in 1926, increasing it to 58 cents in 1928, to 74 cents in 1929, then to 88 cents in 1930, and finally to \$1.07 in 1931.

It should be noted that other European countries also have been stepping up their wheat tariffs—Austria to 64 cents, Czechoslovakia to 97 cents, Poland to \$1.76, and, of course, Greece, where the tariff is fixed at \$7.99, which even Senator REED SMOOT must admit is a tariff reasonably protective.

CHART NO. 2

Chart No. 2 tells the story of the mounting carry-over of wheat in the United States during the past four years. In 1927 and 1928 this Nation's carry-over was around 120,000,000 bushels, or just about the average for the 1921-1928 period. In 1929 the carry-over mounted to 242,000,000 bushels, in 1930 to 291,000,000 bushels, in 1931 to 319,000,000 bushels, and in 1932 to the unusual total of 363,000,000 bushels. In other words the United States carry-over has climbed to just about one-half of the total production in this country in 1932 which was 727,000,000 bushels.

CHART NO. 3

Chart No. 3 sums it all up for the student of the American wheat-producer's problem. United States wheat exports fell almost 50 per cent from the 1921-22 period to 1930-31. The average annual exports from this country for the 1921-1925 period was 207,000,000 bushels compared with 158,000,000 bushels for the 1927-1931 5-year period.

At the same time production in Europe, including Russian shipments, have increased from 1,222,000,000 bushels in 1921 to an estimated 1,520,000,000 bushels in 1932. The chart shows a production of 1,506,000,000 bushels in 1931. The average annual production during the five years 1921-1925 was 1,208,000,000 bushels as compared with an average of 1,473,000,000 bushels during the past five years.

Europe's determination for self-sufficiency would seem to be producing results so far as wheat is concerned.

CHART NO. 4

Chart No. 4 indicates production trends in the United States, as well as the three other principal exporting countries and the production in all other countries, excluding Russia and China.

Production in the United States decreased in 1932 to 727,000,000 bushels or 173,000,000 bushels below the 900,000,000-bushels mark set in 1931 and shown on the chart. Yet the average annual production in this country for the past five years has been 844,000,000 bushels as compared with 787,000,000 bushels in the 1921-1925 period.

In Canada, Australia, and Argentina the chart shows total production of 714,000,000 bushels in 1931 while the estimated production of 1932 is 862,000,000 bushels. The average annual production of these three countries was 700,000,000 bushels during the 1921-1925 period, but this average production has been stepped up approximately 100,000,000 bushels to 800,000,000 bushels annually during the past five years. Canada, Australia, Argentina, and the United States are the four principal wheat-exporting countries.

In all other countries, excluding Russia and China, the average annual production during the past five years has been 679,000,000 bushels, as compared with 600,000,000 bushels during the 5-year period beginning in 1921. "All other countries, excluding Russia and China," is the official designation of all wheat-producing countries other than Russia, China, European nations, Canada, Australia, Argentina, and the United States.

REDUCTION IS BIG PROBLEM

In the face of shrinking foreign markets, increased production in other countries as well as in the United States, the need of adjusting this Nation's farm plant to bring about a drastic reduction in wheat production becomes evident in every quarter. But knowing the cure is not necessarily effecting it.

A national farm program must be acceptable to farmers in sections other than wheat-producing areas, if it can run the gauntlet of congressional action. Any program that would divert a part of the present wheat acreage to feed crops would add the woes of the wheat farmer to livestock producers and dairy farmers, who are not at all satisfied with their particular lot just now. And the wheat farmer can not overlook his investment, the mounting tax burden, and other overhead on all of his acres. So, regardless of the seeming logic in a program that he permit 20 to 30 per cent of his wheat land to remain idle, he can not quite see it that way. He also knows that if he devotes the idle acres to soil-building crops or summer-fallows it, he will soon be producing as much on 75 acres as he does now on 100 acres.

The answer? Farm leaders, agricultural economists, and business executives are still looking for it.

BANKING ACT

The Senate resumed the consideration of the bill (S. 4412) to provide for the safer and more effective use of the assets of Federal reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

Mr. GLASS resumed and concluded the speech begun by him on Thursday last, which entire is as follows:

Thursday, January 5, 1933

Mr. GLASS. Mr. President, on last May 10 I made quite an exhaustive and detailed exposition of the pending bank bill (S. 4412), which may be found on the pages of the CONGRESSIONAL RECORD from 9882 to 9891, inclusive. In that address I discussed every provision of the bill, explaining its import and conjectured effect, and invited and answered as well as I could all questions propounded dealing with the project.

It were needless to thank those Senators who were good enough to-day not to anticipate the chairman of the committee having charge of the bill until he could have an opportunity briefly to review the controversial points of the measure. I say it would be needless to express obligation to those Senators for manifesting this customary civility, since that is a courtesy which those of us who are acquainted with Senate procedure universally recognize and observe.

I have no doubt, Mr. President, that the Senator who has just spoken at length is quite accurate in his assumption that he knows more about the branch-banking problem than does the Senator from Virginia. I think it might shock the sensibility of the Senate to suggest that the Senator, who thus hastily projected himself into the discussion, does not know more about every problem we have been called on to consider than does the Senator from Virginia or any other Senator or group of Senators. That is the impression that I get, and, therefore, on that particular point there is no room for dispute.

Mr. President, I think I will not consume the time of the Senate in a repetition of the address which I made on May 10 last further than to touch upon the outstanding controversial provisions of this measure. I prefer to proceed in this wise through consideration for the Senate itself and because I do not feel physically strong enough to enter right now into an elaborate discussion of the various provisions of the bill.

Perhaps the most controversial provision of the bill is that which deals with branch banking; and I may say that the

Senator who spoke a while ago, in his abundant knowledge of the problem, told the Senate something new. He tells us that chain banking and group banking, banking conducted by holding companies, may be regarded, in essence and in fact, as branch banking. I am sure that will be a revelation to all those members of the Banking and Currency Committee of the Senate, and very likely of the other House, who have been compelled, in the performance of their duty, to consider banking problems.

We have been taught to believe that there is a vast deal of difference between chain banking and group banking through holding companies. We have been taught to believe that the operations of what is known as a branch bank relate themselves directly to all the responsibilities and availabilities of the parent bank, including the double liability of stockholders; that is to say, if a parent bank in any given town of any State, authorizing branch banking under the national system, establishes a branch in another town of that State, it is responsible, through its stockholders and managerial officers, for all the actions of that branch; and should the branch incur losses the parent bank must make them good, with full knowledge that the stockholders of the parent bank will incur the double liability in case of failure to do so. That is not true, generally, of either chain banking or branch banking.

Mr. WHEELER. Mr. President, will the Senator yield at that point for a question?

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from Montana?

Mr. GLASS. I will yield for a relevant question, though I should like to proceed in order.

Mr. WHEELER. On the question of double liability, I am informed, for instance, that the chain banks in my State, if the pending measure should become a law, would immediately reorganize their chain banks into a branch banking system; that they would establish a principal bank in one of the centers, and make all the other banks just mere branches of that bank; and that they would get away from the double liability which they now have in the case of the various other banks and only have double liability in the case of the one single bank, which would be the main bank.

Mr. GLASS. They have no double liability if it is a chain banking system.

Mr. WHEELER. I beg the Senator's pardon; they have double liability, because they have directors of the various banks at the present time. I notice the Senator shakes his head in the negative, but I happen to know that they do have double liability, because there are stockholders outside the chain banks.

Mr. GLASS. I happen to know—at least, I think I know it—that if it is a chain banking system, no double liability is involved.

Mr. WHEELER. If they have independent stockholders, they have double liability.

Mr. GLASS. If the stockholder of one national bank is likewise a stockholder of another such bank, of course, he has a double liability in each institution; but that is not the chain banking system nor is it the group banking system. For that reason, in the pending bill we have provided that if the chain and group banking systems shall persist they must incur a double liability or go out of existence. So those who are experienced in banking will differentiate the branch banking system and the chain and group banking systems in many respects; and, if they are discerning critics, they will tell you that both the group and chain banking systems, if not positively vicious, unless extremely and cautiously managed, are a menace to the credit system of any State in which they may be established.

I am glad to say there are exceptions to the rule; I am glad to testify, from the thorough investigation of the Banking and Currency Committee, that the group banking system of the State of Michigan has been as thoroughly and as effectively well-managed as is possible to a chain banking system and has been of great service to the commercial, industrial, and the credit requirements of that State.

Mr. VANDENBERG. And has voluntarily acknowledged the double liability.

Mr. GLASS. And in their very charter, upon their own initiative, have voluntarily acknowledged the double liability, which is something that does not prevail in a great majority of such systems. They are capitalized upon a fair and honest basis. They have not gone out, as the managers of some such systems have done, and stripped their victims by watering their stock in a shameful way. So much, Mr. President, for what we have been taught to believe are the distinctions between branch banking and group banking.

Now, Mr. President, as already stated by me in the subcommittee, with the chairmanship of which I was surprisingly honored, and in the general committee, and on the floor of the Senate, after long investigation and inquiry, and after overcoming what I at one time regarded as an insuperable objection, or I might say prejudice, against branch banking, it is my personal judgment that it is about the only remedy now for the menacing situation which faces the banking community of the United States.

Senators who complacently imagine that we are out of our trouble, that bank failures have ceased or will soon terminate, are vastly mistaken. I should not like here to depict the exact situation as it has been portrayed to me by those who are charged with the duty of supervising banking institutions and exacting from them obedience to the law. The laws and regulations of the comptroller's office here in Washington have not been enforced now for nearly two years; and the office dare not enforce them now because even the best informed may not accurately conjecture what would be the result.

So many of the banks have their portfolios choked with immobile and in many instances worthless investment securities; so many of the banks have been compelled to discard caution in order to accommodate commerce and industry; so many of the banks have failed and are now failing to write off their books losses incurred and worthless accounts, that the office of the Comptroller of the Currency has been compelled almost to close its eyes to the situation.

"Bank failures have ceased?" Why, there have occurred, in these five days of January, 28 bank failures—3 of them national banks and 25 State banks. There occurred in the month of December 145 bank failures, of which 19 were national banks and 126 were State banks.

Oh, I know how popular is the plea for the little fellow, for the little bank. I know what motivates that plea in many instances. But when I tell you of the nearly 11,000 banks that have failed in recent years, 80 per cent of them were banks whose capitalization did not exceed \$25,000, you may have some conception of the menace they are to sound banking and the curse to their depositors. They are, largely, pawnshops set up over the country, miscalled banks, and have toppled over like tenpins in a bowling alley at every disturbance of business. Yet there are Senators who want to perpetuate that sort of thing.

I have here an official statement which I will not put in the Record and not read to the Senate, because it would not be an advisable thing to do; but any Senator—nearly any Senator—who finds himself interested in the problem is at liberty to come and examine it. I had an expert investigation made, through official sources, of the banking conditions in every State of this Union with a view to ascertaining, if it could be done, what would be the effect of a wise system of branch banking upon the existing situation. The official declaration of these seasoned, expert bank examiners is to the effect that unless the Congress shall adopt a wise system of branch banking we may with some degree of certainty expect the failure of as many as 470 banks within a short while. I have them here by States—banks which they attest may be saved from failure within a short period if permitted to be taken over by strong banks, capable of supplying sufficient capital to minister to the commercial and industrial wants of the community.

I have the statement from the comptroller's office that there are literally thousands of communities throughout this country absolutely destitute of banking facilities because

of bank failures, which communities might readily be supplied by strong banks in the respective States either taking over existing banks or establishing branches of the parent bank.

Mr. GLENN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from Illinois?

Mr. GLASS. I yield; yes.

Mr. GLENN. With reference to the statement just made by the Senator from Virginia, I desire to say that there is a very large, substantial part of southern Illinois in which many counties have no banking facilities at all at the present time.

Mr. GLASS. Since the Senator mentions Illinois—I did not—I infer that he might be willing to have me say that I am officially informed that if we could have a sound branch banking system inaugurated 33 banks in Illinois at this time could be certainly saved from failure, and so on down the line.

I repeat what I so often have said as a challenge to those who talk about "the little bank"—the little pawnshop that topples over and creates a psychology that eventually topples over the larger and sounder banks because of the fear created in the minds of depositors and the runs that ensue—I say that in the 32 years I have served on the Banking and Currency Committees of the House and of the Senate I have never known a merchant, a business man, a manufacturer, any man who wanted credit at a bank, to object to a sound branch banking system.

Monopoly! Who are the monopolists? These little pawnshops that want to monopolize the credit facilities of their own communities. They are the monopolists. They want to erect by law a tariff wall, as it were, against credit facilities coming into their territory and loaning the business men, the merchants, and manufacturers credit upon reasonable terms of interest. And in that 32 years I defy anybody to examine the hearings and show that anybody who wanted banking accommodations ever objected to a branch banking system.

What is credit? It is an essential facility of all business. Suppose the American Tobacco Co., which has a mammoth plant at Richmond and another at Winston-Salem in North Carolina, should desire to come to my town of 45,000 people and establish a branch there. What would happen? Do you think the community would tolerate any local ordinance that would exclude them? Would not the town council pass resolutions, and the board of trade, the chamber of commerce, the retail and wholesale merchants' associations, and the citizens in mass meeting welcome them, invite them, urge them to come? Then why should my town be willing to exclude superior and better banking facilities which might be afforded by any strong national bank in the city of Richmond?

As I said once before on this topic, under the 10 per cent limitation of the national bank act, outside the great money centers there are, comparatively speaking, few banks that have the ability to respond to the commercial and industrial demands of their respective communities.

My town is the largest shoe-manufacturing town in the South. Can the national banks there, or the State banks and the national banks combined begin to respond to the requirements of the shoe factories alone, not to say anything about the other industries? They can not. These industries have to go to Baltimore, to Philadelphia, to New York, to Boston—chiefly to Boston, because Massachusetts itself is a great shoe-manufacturing center, and the banks there are more completely familiar with the shoe trade. Yet we are asked here to say that Virginia capital, which happens to be located in Richmond, may not be utilized in Lynchburg, or Roanoke, or any other Virginia community outside of Richmond. That is not a protective tariff. That is a prohibition against credit.

It has been proposed that we shall so amend this provision of the law as to avert measurably, if not altogether, any injustices to any of the little banks. The distinguished junior Senator from Michigan [Mr. VANDENBERG], whose in-

terest in these matters has been very welcome to the Banking and Currency Committee—because obviously it has been dictated by a very intense desire to correct an evil situation in the best possible way—has offered an amendment to the bill which would prohibit the establishment of any branch of a national bank in any of the smaller communities without first acquiring the franchise and rights of an existing institution there. In other words, it would completely avert the possibility of undue and ruthless competition. There is not much possibility of that now in the administration of the national bank act, because so few of these afflicted communities are capable of raising the necessary capital to establish a unit bank. But the proposed amendment of the Senator from Michigan I think would completely avert any possibility of injustice or undue competition, or the tyranny of the great banks.

It actually has been said here, to the astonishment of myself and, I venture to say, of other members of the Banking and Currency Committee, that the bill proposes "nation-wide branch banking." It does nothing of the kind. It proposes state-wide branch banking under the severe scrutiny and administration of either the Federal Reserve Board or the Comptroller of the Currency, or both jointly.

It is complained that the Comptroller of the Currency has refused to charter banks in certain communities. Of course, he has, and that in itself is evidence of the fact that the comptroller's office is intent upon preventing undue competition between the national and State system, and against overloading any community with a superabundance of banking facilities.

Three months ago responsible gentlemen, residents of two of the wealthiest counties of Virginia, came to Washington and sought a charter for a national bank in a given town of one of those counties. The counties are so closely identified in their industries, in all of their commercial and agricultural relationships, as to make them practically one county. The Comptroller of the Currency refused to charter this national bank, and he did so upon the established fact that the one State bank in that town was perfectly capable of attending to all the commercial and industrial and agricultural requirements of the community—not only capable of doing it, but that it had done it effectively for years. The comptroller's office, I think, should be commended for that sort of caution, for that sort of determination to abate any competitive spirit that might arise between the State and national banking systems.

I might point out more definitely the advantages of this system. I think any of its conjectured disadvantages are overcome by the amendment proposed by the Senator from Michigan, which I am perfectly willing to accept, and which I am sure a majority of the committee is willing to accept.

Mr. WALSH of Montana. Mr. President, will the Senator yield?

Mr. GLASS. I yield.

Mr. WALSH of Montana. There is another feature of the bill which, if discussed at all on the floor, must have been discussed in my absence, with respect to which I should very much like to hear from the Senator from Virginia. I refer to the provision for the establishment of the liquidating corporation and its operation.

Mr. GLASS. I shall reach that; I shall not pass that over.

Mr. President, I have just been apprised of a fact very, very distressing to the Nation generally, and to me particularly, that former President Coolidge has just dropped dead. Therefore I think the Senate should immediately adjourn.

(At this point Mr. GLASS yielded the floor.)

Monday, January 9, 1933

(Continuation from Thursday, January 5, 1933)

Mr. GLASS. Mr. President, when the Senate adjourned on last Thursday I had proceeded somewhat more extensively than I had desired to do in discussing one of the controversial provisions of the pending bank bill. It had not been my purpose to discuss at length the problem of branch banking, for the reason that on the 10th of last May, when,

by the almost unanimous instruction of the Banking and Currency Committee I made a favorable report on this bill, I discussed it exhaustively and in detail. I only ventured to discuss this feature of the bill somewhat at length on last Thursday for the reason that it had been assailed in a rather boisterous way, with the accompaniment of physical gymnastics, and I thought perhaps it might be desired by the Senate to hear me further on the subject.

To resume where I left off, and to talk very briefly on the point, I may say that we learned for the first time last Thursday that branch banking is an innovation in this country. As a matter of fact, it is older than the Nation itself. It prevailed in a widespread way in Scotland years ago. It prevails there now in a very successful way. There are also thousands of branch banks in Great Britain, and we all know, because of our close relationship to the Dominion of Canada, that the branch banking system has been in effect there for years and has been administered with gratifying success.

Prior to the Civil War, if I may venture to profess some knowledge of the problem, we had a branch banking system in various of the States, in New England and notably in Indiana and Virginia, the notes of whose banks were at a premium in every State of this Union.

During the frightful depression which still persists, and which we are assured is world-wide, not a dollar has been lost to a bank depositor in Great Britain, not a dollar has been lost to a bank depositor in France, and not a dollar has been lost across in Canada to a depositor in a bank.

Mr. BARKLEY. Mr. President, will the Senator yield there?

Mr. GLASS. Yes.

Mr. BARKLEY. It has been frequently stated and repeated in the press and public addresses that within a period of 10 years, during which time more than 10,000 banks have failed in the United States, involving about four and a half billion dollars of deposits, no bank has failed in the Dominion of Canada. Is that an accurate statement?

Mr. GLASS. There has been no bank failure in the Dominion of Canada since 1923, and when a bank fails there, few, if any, depositors lose their money. Other banks take over the failed institution.

Mr. BARKLEY. In view of the fact that the general economic conditions are largely the same in the two countries and the character of the population in Canada is somewhat similar to that in the United States and probably more so than can be said of any other country, it seems rather amazing that in the United States we have been unable to devise a banking scheme that has been able to weather a situation under which the banking systems in Canada and France and in Great Britain, while suffering to some extent, have at least not collapsed.

Mr. GLASS. To answer the Senator rather more definitely at this point, the reason may be reflected on this chart [exhibiting], which the Senator may see from his seat, which indicates that in one meagerly populated State of the United States there were 527 alleged banks that were not banks at all, but were pawnshops that toppled over like tenpins in an alley at the first disturbance that afflicted the country.

Mr. BARKLEY. I do not like to divert the Senator from his line of argument, but is the remedy for that situation some sort of unification of banking facilities in the United States rather than to have two separate independent systems controlled entirely at separate sources?

Mr. GLASS. There is a great divergence of view upon that question. Some of the most experienced bankers and publicists in this country advocate a single banking system instead of a dual banking system. The Senator himself, from his long experience and observation in both Houses of Congress, knows that we have never yet attempted to raise the standard of national banking that we have not been confronted by the declaration that if we should do this, that, or the other thing desirable to be done in the interest of sound banking we would put the national banks at a disadvantage with the competing State banks. On the other hand there will be found very vigorous advocates of the

dual system. So it is a bitterly controverted problem with which we do not deal here.

Mr. BARKLEY. I realize that.

Mr. GLASS. I may say, however, that within the last 10 days or two weeks I have been supplied with what would seem to a layman a very interesting and exhaustive legal opinion to the effect that if Congress wants to do so it may establish a single commercial banking system in this country. However, I should not like at this time to be diverted to a discussion of that view.

Mr. FLETCHER. Mr. President, may I interrupt the Senator there to suggest that this bill does, in a way, affect the standard, because it requires an increase of the minimum capital of national banks, which is, I think, a very wise provision?

Mr. GLASS. Oh, yes; we made a fatal mistake, from the standpoint of the banks themselves, to have reduced the minimum capital as we did.

Mr. BARKLEY. Mr. President, in that connection, if the Senator will yield, that of course does correct the evil to the extent that it affects the national banks; but the institutions which have been described by the Senator from Virginia as pawnshops were in the main not national banks.

Mr. GLASS. No. Many of them were, however. They were banks with capitalization of merely \$25,000. Under the national bank act the maximum of loans that they could make to any individual, concern, or corporation was 10 per cent of their capital; and their usefulness has been very questionable—undoubtedly questionable when we consider that the failure, as I pointed out Thursday, of these tottering little banks creates a psychology that is fatal to the banking business. It creates a fear in the minds of bank depositors generally which causes runs on strong banks, and great embarrassment, and, indeed, great disaster.

Mr. LEWIS. Mr. President, may I ask the Senator if he has noted that from the State of Illinois the representative of the State banks contends that this bill completely slays the possibility of future State banks and destroys those that are presently existing? He possibly has noticed something in the press concerning such statements made by the representative. I beg to inform the Senator that I, and no doubt my colleague, have received from these institutions similar points of view.

I should like the Senator at this point, if at all convenient, or at some time along in his address, to state from his point of view whether this bill does destroy the present State banks or the prospective creation of further State banks in the States.

Mr. GLASS. I do not conceive that it does either in any of its provisions. I would not know how to answer a statement which, in my view, is so far from the fact. I would not know how to answer it without being given some reason for such an extraordinary declaration.

To resume upon branch banking, as tried and effectively administered in other countries and in this country prior to the Civil War, and in this country now in those States the laws of which have not been dominated by "the little banks" that want a monopoly of credit in their own communities, respectively, branch banking has been successfully operated.

In the whole history of banking in the Dominion of Canada the loss to depositors has been in the aggregate \$13,500,000—in the whole history of the banking business of that country—\$13,500,000! There has been almost that much loss to the depositors in the United States in the nine days of the present month! The last official figures supplied me for five days of this month showed that 25 of these State banks had failed and 3 national banks, making 28 failures for the first five days in January, 1933, with deposits of \$9,512,000 involved. Thirteen million five hundred thousand dollars in the whole history of Canada; \$80,800,000 for the month of December in the United States; and yet we have the vehement, violent statements that have been presented here that this committee has presented a bill which violates all of the sound standards of banking and that this

measure would incur the veto of the President elect! This I deny.

I do not imagine that Senators want their judgment influenced at this session of Congress by what the President elect would or would not do; but I feel authorized to say that the President elect wants this bank bill passed. That does not mean that he does not realize—

Mr. LONG. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. COUZENS in the chair). Does the Senator from Virginia yield to the Senator from Louisiana?

Mr. GLASS. For a question.

Mr. LONG. Just where does the Senator get the information that the President-elect wants this bill passed?

Mr. GLASS. I am not imparting information of an intimate character to the Senator from Louisiana. I assert, and the Senate may accept it for what the Senate thinks it is worth, that I feel authorized to say that the President elect wants this bank bill passed; and I was proceeding to say that that does not imply that he does not realize that there is the intensest antagonism to that provision of the bill relating to branch banking, and that it is not his judgment that that provision of the bill can not now be passed. That is my judgment also, I regret to say, but what I am trying to impress upon the Senate now is that this is not a measure thrown together in a haphazard way, reflecting either the eccentricities or the hasty judgment of the Banking and Currency Committee of the Senate. This bill is a result of the most exhaustive hearings upon banking problems ever inaugurated under the jurisdiction of the Senate. It has been gone over paragraph by paragraph, sentence by sentence, word by word, all phases, legal, moral, and otherwise, being considered and discussed, with alteration after alteration as the result of mature discussion. Therefore there is no justification for any Senator to apply violent denunciation or to employ unethical means of discrediting this bill.

I had not intended an exhaustive discussion of the branch-bank feature, for the reason that, feeling well satisfied that we could not now obtain the exact kind of legislation your Banking and Currency Committee with great unanimity thought should be obtained, and being of a severely practical nature, I did not care to waste the time of the Senate in an attempt to do something that in my own judgment we would find it difficult, if not impossible, to do. For that reason I had the drafting bureau of the Senate prepare two tentative amendments to the bill. First I was perfectly willing, and so indicated upon the floor of the Senate, to accept the amendment proposed by the junior Senator from Michigan [Mr. VANDENBERG], which literally cut the ground from under the criticism that it was designed by this bill or that it was possible under this bill to create a banking monopoly in any State affected by it.

The amendment, as I recall it, provides that there should be established in no community any branch of a national bank unless the parent bank should acquire the existing bank. That, of course, would not apply to communities in which there were no banking facilities; and the Comptroller of the Currency will tell you that there are thousands of communities now in this country, in every State of the Union, utterly destitute of banking facilities. The largest tobacco-producing county in Virginia except one was, until a few days ago, and may be now, destitute of any banking facilities at all, because the three banks that were there failed, tying up \$2,756,000 of the depositors' money; and this bill would have the effect of supplying banking facilities to those communities now destitute of them.

So that your committee has not been unreasonable. Most of us were perfectly willing to accept the amendment proposed by the junior Senator from Michigan [Mr. VANDENBERG].

As I have indicated, apprehending that the Vandenberg proposal might not prevail I had two amendments prepared by the drafting service, one confining the operations of branch banking to those States whose laws permit or whose practices tolerate branch banks. Objection having

been raised to that by a Senator whose State has no law on the subject, I had drafted a further provision confining the operations of the bill to those States which by law permit branch banks.

The very plausible contention here is that that would put the burden upon the proponents of branch banking to go to the legislatures in their respective States if they wanted the system and have it authorized there. I realize the plausibility of that plea, and with that statement, unless some Senator wants to ask a relevant question, I leave the problem of branch banks. I infer, however, that the junior Senator from Michigan [Mr. VANDENBERG] will take opportunity to discuss his proposed amendment, the equities of which strongly appeal to my judgment.

The distinguished senior Senator from Montana [Mr. WALSH] suggested an objection to another provision of the bill relating to the liquidating corporation, and on last Thursday asked that I discuss that, which I will do briefly.

The time employed and the expenses incurred in liquidating failed banks have proved an actual scandal in the banking community of this country. A receiver is appointed with a fair if not excessive compensation. It is to his pecuniary interest to prolong the agony, and he almost inevitably does that. I have known the affairs of a northwestern bank to be in the hands of a receiver for 15 years. They are rarely ever closed promptly, and with due regard to the interest of the depositors.

Hence we conceived the idea of establishing a liquidating corporation, which would provide that, whenever a national bank should fail, the management of the corporation should promptly communicate with the appointed receiver, and, by its actuaries, compute as accurately as possible the available sound assets of the bank, and, based upon that computation, either buy the assets of the bank, if it might please to do so, or, preferably, lend the money to the receiver of the bank in order that he might distribute the available cash to the depositors and not keep them waiting interminably to be paid in dribbles what was due them.

The Treasury itself was so impressed with the desirability of something of that sort, and unhappily politicians were so impressed with the credit which might be derived from the establishment of a corporation of that sort, that they undertook to anticipate this provision of the bill, and sent up a separate measure, in which it was provided, as I recall, that \$125,000,000 should be appropriated from the Treasury, that \$50,000,000 of the acquired assets of the Federal reserve banks should be seized by the Government and applied to the uses of banks which never contributed a stiver to the establishment or the maintenance of the Federal reserve banking system. I do not know anything about constitutional law, but in the plain equity of the case, that seemed to me to be an outrage, and I believed it was unconstitutional.

We have provided in the pending bill that the Treasury shall contribute \$125,000,000 to the establishment of this corporation, and we have done it upon the theory, as I have undertaken to state before, that the Government has acquired from the earnings of the Federal reserve banks approximately \$175,000,000, to not a dollar of which in equity it was entitled.

The Government has acquired from the earnings of the Federal reserve banks, I should judge, a greater sum than was paid as a franchise tax by individual national banks of this country in the whole history of the system. We undertook to treat this proposed sum as a recapture from the Federal Treasury of a part of that franchise tax, none of which any of us thought the Government was entitled to receive, except that the statute authorized it.

The Government of the United States has never contributed a dollar to the Federal reserve banking system. It does not pay the wages of a janitor in the system. It has not one dollar of proprietary interest in the system. It is simply charged with the duty of supervising the administration of the system under the law in order to see that nothing of an illicit or illegal nature is done; and whether the Government has succeeded in doing that is questionable.

As I have said, we saw nothing of a violent nature in appropriating \$125,000,000 from the Treasury as a "recapture" fund, particularly in view of the fact that the Treasury, with the approval of the President, had proposed to take that amount out of the Treasury and not use it for the benefit of the member banks of the Federal reserve banking system only, but also for the benefit of banks which never contributed a thrip toward the establishment or maintenance of the Federal reserve banking system.

Not only that, to speak another word concerning the equities of the case, I have here, and I shall ask to have printed in the RECORD, a letter from the Governor of the Federal Reserve Board transmitting to me a statement of that official having supervision of the banking operations of the system, in which he points out in some detail the important functions performed by the Federal reserve banks for the Government of the United States without one dollar of compensation from the Government. As a matter of fact, there has never been a bond issue by the Government of the United States since the first shot was fired in the World War that has not been negotiated through the Federal reserve banks as agencies of the Government, and, disagreeable as the statement may appear to some, the Federal reserve system in recent years has been made a doormat of the Federal Treasury.

Their portfolios now contain nearly \$2,000,000,000 of Government securities and the portfolios of member banks contain in excess of \$5,000,000,000 of Government securities. Pretty soon the Treasury will be faced with the tremendous task either of paying off \$5,000,000,000 of short-time securities or of transforming them into long-term bonds at a much more reasonable rate of interest than the outstanding debt now bears.

I know so little about these matters, as was suggested Thursday, that it may seem presumptuous of me to suggest that, in my view, a government that can borrow money, as this Government is now doing, at one-half of 1 per cent on 12-month certificates might readily conceive that it would be able to refund its outstanding bonded indebtedness at a very much lower rate than 4½ per cent and thereby save itself tremendous embarrassment and save the taxpayers of the country burdens, and enable a staggering Congress more surely to balance the Budget.

England did that. Oh, we boast of our patriotism—our patriotism. England's public debt, her domestic debt, was not yet callable, and yet in order to relieve the distress of the public treasury England invited her citizens to bring in their high-rate bonds and to fund them at a lower rate. The holders of those securities brought them in through sheer love of country, and the debt was refunded at a lower rate of interest.

We provide in this bill as to the liquidating corporation that one-quarter of 1 per cent shall be levied upon the member banks of the system as a contribution to the capital, one-half of it callable within 90 days and the balance whenever the necessities of the case might seem to suggest. It was the judgment of the Banking and Currency Committee of the Senate that there never would be a second call. Those bankers who came to Washington summoned by wire or letter to go to night school here and learn their lesson before they appeared before the Banking and Currency Committee, one after another objected to any assessment whatever upon member banks, any assessment whatsoever to guarantee the depositors in those banks reasonable and prompt attention to their requirements in the case of failure.

They were willing enough to subscribe voluntarily 10 per cent of the capital and surplus of all these banks to the National Credit Corporation formed up in New York with a great fanfare of trumpets and which was to rescue the country from bank failures. They were willing to engage in that sort of business, but some of them are not willing to subscribe this inconsequential amount to the capitalization of as important a corporation as the liquidating corporation in the interest of depositors.

We provide that a very inconsequential proportion of the acquired surplus of the Federal reserve banks shall be ap-

propriated to the same usage. Mind you, we are not appropriating a dollar of the assets of the Federal reserve banks for the benefit of nonmember banks but only to be applied to the aid of member banks, or rather to the aid of member-bank depositors, in case of failure. There has been some objection on the part of some of the officials of the Federal reserve system, but if any Senator is serene enough in his confidence to suppose that we shall ever be able to enact banking legislation here that will not meet the objection of bankers and of administrators of banks, he is credulous to the last degree. They were unanimously against the Federal reserve act; not so unanimously against this bill because many of them have changed their attitude within the last six weeks and are now very earnestly in favor of the provisions of the bill.

I think perhaps I have described as well as I may this controversial feature of the bill. If the Senator from Montana [Mr. WALSH] would desire to ask me any question about the matter, I shall be glad to try to answer.

Mr. WALSH of Montana. Mr. President, I shall be very glad, because while the description the Senator has given is intensely interesting, it scarcely reaches the matter that is troubling me. The liquidating corporation gets a capital of \$125,000,000 out of the Federal Treasury. In addition to that, it has a contribution from the Federal reserve banks of—how much?

Mr. GLASS. About \$150,000,000.

Mr. WALSH of Montana. My recollection of the figures is that it gets from the member banks \$68,000,000 and from the Federal reserve banks \$75,000,000, making \$125,000,000, \$68,000,000, and \$75,000,000. The Government gets no dividends whatever upon the \$125,000,000 it puts into the enterprise. The Federal reserve banks get no dividends upon their stock. The member banks, however, are entitled to receive as much as 6 per cent dividends accumulative upon their stock, or 30 per cent of the earnings, whichever may be the greater.

The liquidating corporation is authorized, as said by the Senator from Virginia, either to purchase the assets of the suspended or failed bank or to loan money to the receiver upon the security of the assets. The purpose of the provision for the liquidating corporation to my mind is highly meritorious. I have in mind now a number of instances where great inconvenience, and indeed suffering, has been occasioned by reason of delay in distributing to depositors in banks the dividends to which they would be eventually entitled. Under existing law it seems to be impossible to distribute dividends for three months, because advertisement must be made and all creditors given an opportunity to come in and present their claims. A bank failed in my State very recently which occasioned very great distress by reason of the assets being tied up. Many of them were represented to be of a good character and it was thought a loan might be secured from the Reconstruction Finance Corporation which would enable dividends to be paid forthwith upon the securities of the assets, the loan to be returned as the assets were liquidated. But under the law it became necessary to advertise for three months, so that no loan could be made for that purpose.

Every Senator will have in mind, I am sure, cases where, as said by the Senator from Virginia, the distribution of dividends from the assets of a failed bank are delayed and delayed, and then come only in small amounts. I think the provision for either the purchase of the assets of the failed bank so a dividend can be distributed immediately, or to make loans upon the assets, is a wise provision. But I have been utterly unable to justify myself in the belief that we are warranted in putting \$125,000,000 of the funds of the Government from the Treasury into this corporation which, of course, expects to make a profit out of dealing in the assets of the closed bank either by purchase of those assets, or by loans upon the security of the assets.

I have in mind a bank failure occurring in our State some 30 years ago. The bank went into the hands of a receiver, and he was engaged in an effort to liquidate the assets for several years, when they were sold to a corporation consist-

ing of just a few individuals, which corporation purchasing the assets eventually realized a very great sum out of them over and above what had been paid; indeed, the purchasers laid the foundation of a pretty fair fortune out of the purchase of those assets.

The liquidating corporation is a profit-making corporation, and I find myself utterly unable to understand why the Government, which put \$125,000,000 in, should not participate in the dividends along with the others. As I understand the Senator, he takes the view that there is in the Treasury now a large sum of money which was paid in by the reserve banks as in the nature of a franchise tax, that that was an unjust exaction from them, and that this sum might very properly be utilized from the Treasury as in the nature of a compensation to them. Reference must be had, I suppose, to section 7 of the Federal reserve act, which reads as follows:

Sec. 7. After all necessary expenses of a Federal reserve bank have been paid or provided for, the stockholders shall be entitled to receive an annual dividend of 6 per cent on the paid-in capital stock, which dividend shall be cumulative. After the aforesaid dividend claims have been fully met, the net earnings shall be paid to the United States as a franchise tax except that the whole of such net earnings, including those for the year ending December 31, 1918, shall be paid into a surplus fund until it shall amount to 100 per cent of the subscribed capital stock of such bank, and that thereafter 10 per cent of such net earnings shall be paid into the surplus.

I do not enter into the discussion at this time as to whether or not that was a justifiable provision to put into the Federal reserve act, nor am I prepared with confidence at this time to enter upon a discussion of whether the amount which is thus in the Treasury of the United States really belongs to the Federal reserve banks and ought never to have been exacted from them. Undoubtedly the Federal reserve banks have proven valuable agencies of the Government; but, on the other hand, I am very sure that the Federal reserve act has been of inestimable value to the banks. It has given to member banks a standing which they could acquire in no other way, and the opportunity to go to the Federal reserve banks and discount their eligible paper at any time has been, of course, of very great value to them.

I do not, however, undertake to enter into that discussion. It seems to me we must put that aside and determine now whether we shall put \$125,000,000 of funds of the Government into the capital stock of this liquidating corporation without the expectation of any return from it at all. It really, to my mind, is a gift of \$125,000,000 to the liquidating corporation, because it goes on forever; and although it may be said to belong to the Government of the United States, the entire use of it is with the liquidating corporation, and they may utilize that money for the purpose of making the profits which go to the member banks in the shape of dividends. There is, indeed, a limitation of the amount which the liquidating corporation may receive, but as it seems to me, it is still conceivable that the liquidating corporation may make any amount of money in the transactions which it carries on in the assets of those banks.

It is provided in a subsequent section that the amount which is received by the liquidating corporation for its work in the carrying on of the liquidation shall not exceed 8 per cent of the amount which it realizes out of the assets of the failed bank, and it is said that that will no more than cover the ordinary expenses of the liquidation of these banks. That is a matter, I presume, of speculation; but I can very readily conceive that they might find a bank in such a condition as to permit its affairs to be closed up in a reasonably short time, and out of that they would secure 8 per cent of all they handled as a compensation for liquidating the assets of the bank.

If provision were made for the return of a dividend to the Government on its stock the same as to member banks on their stock, most of my objections to this feature would be obviated; but as I feel now, I can not support that provision of the bill.

Mr. GLASS. Mr. President, I am glad to have had the Senator interrupt me and give his views at my request. I

had supposed, however, that he would ask me whether we have in contemplation any modification of the provision. What I am trying to do is to justify the action of the Banking and Currency Committee so far as I can do so in its careful, cautious, and intelligent preparation of a banking bill; and what I wanted to indicate to the Senate on this particular point was that in recapturing this \$125,000,000 from the Treasury which we thought it had not earned there was no moral turpitude involved in the suggestion, and we were not proposing to "rob" the Treasury.

I may say to the Senator that I regard his objection as legally sound; but, in view of the equities of the case, I am not in accord with his views. I think we ought to "recapture" that \$125,000,000.

A while ago I said that I had here, but could not immediately put my hands on, a statement from the Federal Reserve Board of the functions performed by the Federal reserve banks for the Government itself without one dollar of compensation and without taking into account overhead and the cost of buildings and many other important items. The functions performed by the Federal reserve banks for the Government cost a million dollars a year, and it seems to me that that adds force to the argument that this \$125,000,000 ought to be recaptured.

The Government itself talks about recapturing the excessive earnings of the railroads; but it has not been able to do it. The railroads are now before the Congress with the plea that the recapture section of the transportation act should be repealed. I have wondered if some Senators who think in equity we ought not to recapture the \$125,000,000 from the Government to which we do not think it is entitled except by law—

Mr. KING. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Utah?

Mr. GLASS. I have not finished my sentence. I say I was just wondering whether some Senators who think we ought not to do that are going to be willing to renounce the action of Congress in exacting a recapture of railroad funds. Now I yield to the Senator from Utah.

Mr. KING. Mr. President, I am not quite able to follow the able Senator in the analogy, if he seeks to draw an analogy, between the railroad situation and that of the banks. But waiving that, I do not think there is any obligation, moral or legal, resting upon the Government to aid in the recapture, to use the Senator's expression, of this \$125,000,000. The banks were formed for profit; those who formed the banks were not compelled to invest their surplus funds in the establishment or creation of reserve banks.

Mr. GLASS. The Federal reserve banks were not formed for profit.

Mr. KING. Well, the banks themselves, the whole system. Mr. GLASS. The member banks were; yes.

Mr. KING. It seems to me that those who framed the Federal reserve bank act contemplated that this amount that was paid as a franchise tax belongs to the Government and should not revert at any time, immediately or ultimately, to the banks.

I dislike to intrude upon the time of the Senator, and perhaps he has explained that feature during my absence from the Chamber, but, with my present views, I should be constrained to vote against the whole proposition to make this a gift to the corporation that is created. If it is a loan for which the Government is to be compensated and the loan is to be returned ultimately out of the profits of the business, that is another proposition, but, with my present views, I am not quite able to follow the committee.

Mr. GLASS. Of course, the committee will regret that, both as to the Senator from Utah, equally distinguished with the Senator from Montana. Realizing that there was some plausibility without any equity in their viewpoint, I have had prepared an amendment to the bill so that the Government will appear as a stockholding beneficiary of the \$125,000,000. In other words, it will subscribe stock to that amount and receive dividends just as the member banks will

receive them and just in proportion as they will receive them.

Mr. President, a while ago I referred to the list of functions performed by the Federal reserve banks for the Government of the United States. It is a partial list of the more important functions performed. I could not lay my hand on it at once. I ask that it may be inserted in that part of my remarks which was pertinent to that particular point.

Mr. NORRIS. Mr. President—

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Nebraska?

Mr. GLASS. I yield.

Mr. NORRIS. Will not the Senator have the list read? I notice it is not long.

Mr. GLASS. Yes; I will read it if the Senator wishes.

Mr. NORRIS. I wish the Senator would.

Mr. BULKLEY. I suggest that it be read at the desk.

Mr. GLASS. Very well. That will relieve me.

The VICE PRESIDENT. Without objection, the Secretary will read, as requested.

The legislative clerk read as follows:

FEDERAL RESERVE BOARD,
Washington, December 13, 1932.

Hon. CARTER GLASS,

United States Senate, Washington, D. C.

MY DEAR SENATOR: In accordance with your request over the telephone a few days ago, I take pleasure in sending you herewith a copy of a memorandum, prepared by Mr. Smead, showing the more important functions performed by the Federal reserve banks for the Government.

I trust that the memorandum will give you the information you desire.

With kind regards, I am very truly yours,

EUGENE MEYER, Governor.

[Inclosure]

DECEMBER 12, 1932.

In compliance with your request, there is given below a list of the more important functions performed by the Federal reserve banks for the United States Government for which they receive no reimbursement.

UNITED STATES GOVERNMENT SECURITY OPERATIONS

1. Denominational exchange of coupon bonds.
2. Interchange of coupon and registered bonds.
3. Telegraphic transfer of securities.
4. Redemption of called or matured securities.
5. Cancellation and shipment of securities to the Treasury.
6. Forwarding of registered bonds to the Treasury for redemption.
7. Examination, verification, and custody of collateral held against deposits in depository banks.
8. Purchase and sale of securities for Treasury account.

DEPOSITORY FUNCTIONS

1. Pay Government checks and warrants.
2. Pay coupons from Government securities.
3. Transfer funds by telegraph.
4. Handle war-loan deposits accounts with depository banks; receive deposits of Postal Savings funds, Post Office funds, money-order funds; deposits on account of the 5 per cent fund for the redemption of national-bank notes; interest on public deposits; and surplus deposits of public funds from depository banks.
5. Collect checks received in payment of income and other taxes, etc.

CURRENCY FUNCTIONS

1. Receive United States currency and coin for exchange and redemption.
2. Cancel and ship to Washington currency unfit for circulation.

Reports received from the Federal reserve banks covering the cost of their various operations are set up on functional lines, and consequently do not in many cases show separately the cost of that part of a given operation performed for the account of the United States Government. Such figures as are available show the cost of handling the operations themselves, exclusive of rent, light, heat, power, and general overhead expenses. The cost (exclusive of such unapportioned expenses) of handling United States Government securities, for which the banks receive no reimbursement, amounted to \$394,780 during the fiscal year ended June 30, 1932, the cost of paying Government checks to \$116,910, and the cost of cashing Government coupons to \$63,100. Separate figures are not available showing the cost of other operations performed for the United States Government, but you may be interested in knowing that the functions of the coin departments of the reserve banks, which include the coin functions formerly performed by the subtreasuries, were conducted during the fiscal year ended June 30 at a cost of \$341,200, exclusive, as stated above, of rent, light, heat and power, and general overhead expenses. In connection with the depository and coin functions performed by the Federal reserve banks for the United States Government, the Government maintains a deposit account with

the Federal reserve banks on which the Federal reserve banks pay no interest.

The Federal reserve banks receive reimbursement from the United States Treasury for work in connection with new issues of securities, and also receive reimbursement from the Reconstruction Finance Corporation for operations conducted for its account.

Mr. GLASS. Mr. President, in that connection I want to emphasize further a statement I made: That list does not include any charge to the Government for office space or rental of any description; the Government has not participated in any degree in the costs incurred by the construction of great bank buildings and does not, in fact, pay the salary of a janitor in the Federal reserve banking system. More important than that, the Federal reserve banks, through their member banks, have been the agencies of the Government in floating its Treasury certificates and its outstanding bonded indebtedness. I doubt whether this could have been effectively done outside of these banks; but aside from that, I am going to propose an amendment to the bill which I am assured meets the objection that has been raised. It is not a committee amendment. The bill is in the hands of the Senate, and not within the jurisdiction of the committee. I am going to propose an amendment and ask to have it printed and lie on the table, to be offered at the proper time.

The VICE PRESIDENT. The amendment will be printed and lie on the table.

Mr. WALSH of Montana. Mr. President—

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Montana?

Mr. GLASS. I do.

Mr. WALSH of Montana. I have had an opportunity to examine the amendment proposed by the Senator from Virginia, and in my judgment it meets substantially the objection which I urged to this feature of the bill. Not only that, Mr. President; it has an additional value.

Under the provisions of the amendment now tendered by the Senator, the Government will participate in any dividends that may be declared by this liquidating corporation on exactly the same basis as the member banks, and, of course, in the same proportions. The result of that, in my judgment, will be this:

If the liquidating corporation had the use of \$125,000,000 of the Government's money without any return whatever to the Government, its dividends and the prospect of its dividends, of course, would be greatly enhanced; and, accordingly, it would seek to get at the lowest possible price the assets of the various failed banks, that it might profit by them. The prospect of profit, however, now by this amendment being so much reduced, it seems to me that the effect would be rather to promote a more liberal price for the assets purchased by the corporation, or to allow the receiver to borrow on more favorable terms.

Mr. GLASS. Mr. President, I do not feel inclined to occupy any more of the time of the Senate in general explanation of the bill, which I so thoroughly did when it was presented last May. From time to time as the bill is read I shall be glad to explain any provision of it and to advocate any provision of it that may be called in question.

I now yield the floor.

Mr. METCALF. Mr. President, I desire to compliment the members of the Committee on Banking and Currency and the junior Senator from Virginia [Mr. GLASS] upon the hard work they have done in bringing this bill before us. I am also very anxious to read and study the amendment which the Senator has just presented, because I have some thoughts a little different from the provisions of the bill.

We are now engaged in the construction of legislation of major importance to the progress of this country. The business of banking is interrelated with all pursuits of life. The maintenance of credit and the guaranty of a reasonable security of the deposits of the American people are basic responsibilities of our banking system. In attempting to adopt laws to regulate this system we must consider the broad viewpoint of the general public, the welfare of the banks themselves, and the economic interests of both the borrower and the lender. Banking, more than any other

general business, is one of public trust, and should be controlled by strict laws and regulations. But it is neither feasible nor possible to substitute rigid rules for individual initiative and responsibility in banking. It is both wise and possible, however, for this Government to set aside certain restrictions and limitations for the guidance of initiative and responsibility. The human element must play an important part in the conduct of any banking institution. A bank can not be operated under an algebraic formula any more than the farmer can follow the pursuit of agriculture under mathematical guidance of Washington. Loans are not made solely by computations of arithmetic; the background, the character, the future, and the general assets of a borrower must be considered in every sense by the lender.

Successful banking is primarily a problem of good management. It is a problem of honest and capable management. The existence of greed and ruthless selfishness will wreck any institution, whether it be a bank or a factory. Laws which will regulate banking must naturally be laws which shall be restrictions upon management, and they will do as much harm by too much restriction as may result from no restriction. A bank whose destinies are guided by capable, conservative, and honest men will thrive without regulation. Banks whose destinies are guided by unscrupulous speculators will smash under the top-heavy weight of their management regardless of laws.

I think the authors of this bill deserve the commendation of the Senate for the tireless and patient manner in which they have attempted to solve one of the most complicated problems before Congress since the days of the Aldrich Commission. When we consider the numerous banking philosophies which exist in the many sections of this country, when we consider the wide variance in character of our many kinds of banking institutions, when we consider the pitiful plight of nearly 5,000 banks in this country, when we consider that each bank itself is a complicated institution which few men can thoroughly understand—when we consider all these things, we can readily appreciate the tremendous task which the junior Senator from Virginia and his colleagues on the subcommittee have had to face.

In many of the aspects of this bill I am in agreement with the Senator from Virginia. I understand the cross currents with which he has had to contend. All of us know that the banks of this country have made many mistakes; they have been costly, and from them, both the people and the banks have learned a lesson which they will not soon forget. The banks themselves have undoubtedly profited by these mistakes, and most of them will welcome some parts of this legislation.

In writing a good banking law the Congress is faced with the problem of giving free play to the human element in banking institutions and to individual initiative, at the same time safeguarding the customers of these banks against accidental or intended errors in management.

We have given the Federal Reserve Board great powers over the banks of this country, and in this bill we seek to extend its powers to new limits. We seek to place in the board much of the responsibility for maintaining the stability and security of our banking system. We are trying to confine the business of banks to what is called "pure banking," eliminating many of the side evils which have become dangerous to the whole system.

Now that we have discovered our banking laws to be mal-adjusted to such credit conditions as grew up prior to the stock-market collapse, we seek to readjust them. One of the greatest questions before us to-day is whether we are going to try to adjust these laws to correct conditions as they existed in 1929, or whether we are going to adjust these laws to fit conditions as they are to-day. In other words, whether we are going to amend our banking act to correct the follies of 1929 or to harmonize with the depression of 1933.

The public mind to-day is bank sensitive. The temper of this Congress is one of financial sensitivity. There is probably more legislation now pending in Congress which is directly related to the business of banking than at any other time in the history of our country. Banking legislation, like

bank management, is something which requires technical knowledge in the greatest degree. If in considering this legislation we admit our inability to understand thoroughly all the technical aspects of banking and our inability to understand thoroughly the interrelation of the many units of our financial system, and if we can strike from our minds any thought of punishment for the errors of other days, we may be able to strengthen our banking system through this bill.

Since the stock-market collapse there have been some 4,800 bank failures. Of these failures less than 1,000 were members of the Federal reserve system and 3,750 were non-member banks. This is a tremendous numerical failure of small banks in the United States. It constitutes nearly 20 per cent of the total number of banks in the country, but the total deposits in these failed banks constituted but 5% per cent of the total deposits in the country.

This would indicate that the Federal reserve system has, on the whole, stood up well in this time of crisis. Whether we can blame our banking system for the rapid increase in the quoted price of securities and the consequent decline in their value is another question. The subcommittee has courageously attempted to segregate its study of any weakening of the banking system as the result of the declining value of assets from fundamental weaknesses in the system itself. The majority report of the Committee on Banking and Currency gives a great deal of space to a study of conditions prior to 1929 and to the use of bank credit for purposes of speculation and the inflation resulting therefrom. The committee believes that by restricting the manner in which the banks may deal in securities or in which they may divert bank funds into loans on securities they can prevent a repetition of conditions existing prior to 1929. The great increase in brokers' loans, which are merely indirect loans on securities, was also given specific study by the committee.

The numerous sections of this bill are interrelated with a single purpose. Sections 5, 14, 16, and 18 unite to sweep away the whole machinery of the investment business of the member banks. Not only are severe restrictions placed upon the business of investment banking, but virtually the whole machinery with which the investment banking business has been carried on is destroyed by law. Section 14 eliminates the investment business as an integral part of a bank, and section 18 does away with the investment business as a separately incorporated bond department or security affiliate. The supplemental language contained in other parts of the bill is designed to destroy the machinery the banks have used to operate both the bond departments of the bank and the separately incorporated investment business. The Congress should understand thoroughly the sweeping effect which this bill will have upon this phase of banking, and the drastic measure taken to carry out the motives of those responsible for these policies.

One of the most notable outgrowths of the present banking system is the development of affiliates. This bill would seek to completely divorce all member banks from security affiliates and maintain the strictest supervision over affiliates of all kinds. I quite agree with the attitude of the committee that the security affiliates have many evils. I think that if times were good and if our economic structure were on a different basis, we would be thoroughly justified in separating security affiliates from member banks. However, in times like these, when tampering with our system of banking is a most delicate problem, I feel we should move with utmost caution. I believe that three years or even five years is not sufficient time in which to order the liquidation of security affiliates.

We must remember that the judgment we are asked to make on section 18 of this bill is a judgment based upon a survey of the wreckage of 1929. It is not a sound and conservative judgment we are asked to make in the direct light of conditions to-day. I believe no one will question that the security affiliate serves a great many useful purposes, and that its advantages should be maintained. I intend to propose later that the section which would eliminate secur-

ity affiliates after a period of three or five years be eliminated from the bill, and that there be substituted language which would cause the strictest of regulation of these affiliates, with a complete power of divorcement vested in the Federal Reserve Board. I shall have more to say on this subject later.

Section 14 of this bill imposes restrictions to an unreasonable degree on the security business which may be done by member banks. For a long time the member banks have supplied long-term capital to many important and conservative industries. They have also been of the utmost importance in the purchase and sale of National, State, and municipal bonds. It would seem to me that, since we are now looking forward to a period of the refinancing of industry and commerce, the assistance of large and dependable institutions will be advantageous and necessary.

The number of private banking houses in the country who would be able to assist in a period of industrial reconstruction has been greatly reduced, and a great many industries have learned already to look to the member banks as the source of underwriting sound investment securities. To prohibit National and State member banks from directly participating in the underwriting of sound investments would be an act which would retard recovery in this country. Private banking houses must necessarily depend upon the member banks for financial assistance, and what in reality would occur would be that the banks would be engaged indirectly in loans on securities which they might have sponsored with a great deal more conservatism themselves.

Let us not be deluded into thinking that we are putting the business of underwriting entirely into the hands of private banking houses by adopting the severe restrictions of section 14. Private bankers must borrow from member banks. The member banks have in the past been efficient distributing agencies, both for public securities and for the better securities of industry. To dismantle these distributing agencies would constitute a severe credit restriction upon both the public and private business of this country, a blow which we can not afford to strike in critical times such as these.

Under existing law the investment business of national banks is carefully limited and regulated. They are permitted to buy and sell investment securities only under definitions and regulations prescribed by the Comptroller of the Currency, and no national bank may hold investment securities of one obligor in an amount to exceed 25 per cent of the capital and 25 per cent of the surplus of the bank. It might be wise for us to go so far as to reduce this 25 per cent of the capital limitation to 15 per cent, as proposed by the committee. I am in agreement with this. However, to remove at one stroke the power or privilege of a national bank to assist industry through underwriting or participating in underwriting is an unwarranted and unnecessary regulation.

The active open-market operations of the Federal reserve banks seek to build up large credit balances in favor of member banks and to discourage the reinvestment of such balances in Government securities by decreasing the yield of these securities. If large balances so built up are to be turned to commercial financing, it is evident that a substantial part must be in the form of the purchasing of sound corporate obligations.

In such severe restrictions as proposed in section 14 we are striking at the thing we should encourage. No man is capable of distinguishing between what some are apt to call "short term" and "long term" financing. As a rule, a banker does not classify paper in that way, or, if he does, he must be trained to judge the wisdom of one as well as the other.

There are a great many things to be said against long-term financing on the part of member banks, but I believe section 14 is in no way justified because of such an evil. It is my intention to propose the elimination of section 14 and to substitute new language which would in effect

retain the provisions of the McFadden Act while reducing the percentage of capital which may be invested in the obligations of any one obligor.

A third part of this bill with which I am in disagreement is that which creates the liquidating corporation. This corporation would serve as a dumping ground for dead or frozen paper. It would in effect set up a supercorporation, which would attempt to absorb all the cancerous growths which have wrecked banks and to "pick the bones." Good logic will show this to be utterly impossible. We should recognize that the payment of a dividend to subscribing banks is beyond the scope of possibility. In days like these, when we realize the banks need all their assets in order to maintain a liquid condition, we should be committing a rank injustice if we forced them to buy stock in such a corporation.

The Federal Government has already set up the Reconstruction Finance Corporation and the Federal home-loan banks to absorb the securities of banks in need of money. Millions of dollars are now being poured into these banks for the protection of depositors through these two agencies, and much frozen paper is being withdrawn from their vaults. I believe such a corporation is unnecessary and unwise; but if it is the temper of Congress that such an organization must be formed, I believe the Federal Government should subscribe to the stock and reimburse the banks for the \$148,000,000 paid into the Government in the form of a franchise tax on the Federal reserve banks.

Another major proposal made by this bill is the authorization of branch banking. I am in agreement with this principle. I feel that branch banking will provide larger and more stable country banks in each State, and will enable the State to finance at home many local industries which must now go to financial centers to obtain credit. The indirect effect would be to decentralize credit rather than to centralize it. A system of branch banks would permit one organization to engage in a diversified business and eliminate the dangers of local collapse as the result of unavoidable economic depressions of a strictly local nature.

There are thousands of small banks in this country still in danger. Their depositors might be saved from loss and their stockholders from assessment by branch banking. It will be impossible for these banks to raise new capital at this time to take care of impairment, but they might be saved if they could be merged into a strong branch banking system.

The existence of a branch banking system means well-trained management. An alliance of banks can certainly afford to employ highly trained and specialized officials for the administration of their affairs, while a small unit bank of low capitalization is hindered in this regard. There is no doubt that the system of banking in rural communities has broken down for causes beyond the control of individuals. Local conditions have made it impossible for thousands of unit banks to live, while if they had been solidified into strong organizations most of them could have been saved.

Senator GLASS has referred to the small bank as a "1 crop" bank, and he has rightly stated that when one crop fails, the bank fails. Branch banking means diversification, and diversification means decrease in failures as the result of strictly local occurrences. I agree thoroughly with the committee in the limitation of the minimum capital which a bank may have for organization in towns under 6,000 people and with the increased scale up to 200,000 people. I think this is a wise move and will do much toward the protection of depositors.

I believe that branch banking will result in more conservative banking, and that it will be a tremendous safeguard for the depositor. On this phase of the bill I am in agreement with the committee.

In fine, I agree with the general tenor of the bill, but I believe the amendments which I shall propose will help correct the apparent weaknesses without injecting dangerous innovations at this critical period.

Mr. VANDENBERG obtained the floor.

Mr. FESS. Mr. President, will the Senator yield to enable me to suggest the absence of a quorum?

The VICE PRESIDENT. Does the Senator from Michigan yield for that purpose?

Mr. VANDENBERG. I yield.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Ashurst	Cutting	King	Shipstead
Austin	Davis	La Follette	Shortridge
Bailey	Dickinson	Lewis	Smith
Bankhead	Dill	Logan	Smoot
Barbour	Fess	Long	Steiwer
Barkley	Fletcher	McGill	Stephens
Bingham	Frazier	McKellar	Swanson
Black	George	McNary	Thomas, Idaho
Blaine	Glass	Metcalf	Thomas, Okla.
Borah	Glenn	Moses	Townsend
Bratton	Goldsborough	Neely	Trammell
Bulkeley	Gore	Norbeck	Tydings
Bulow	Grammer	Norris	Vandenberg
Byrnes	Hale	Nye	Wagner
Capper	Harrison	Oddie	Walcott
Caraway	Hastings	Patterson	Walsh, Mass.
Carey	Hatfield	Pittman	Walsh, Mont.
Cohen	Hayden	Reynolds	Watson
Connally	Hebert	Robinson, Ark.	Wheeler
Coolidge	Howell	Robinson, Ind.	White
Copeland	Hull	Schall	
Costigan	Johnson	Schuyler	
Couzens	Kendrick	Sheppard	

The VICE PRESIDENT. Eighty-nine Senators have answered to their names. A quorum is present. The Senator from Michigan has the floor.

Mr. LONG. Mr. President, will the Senator yield for a question?

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Louisiana?

Mr. VANDENBERG. I yield for a question only.

Mr. LONG. I ask the attention of the Senator from Virginia [Mr. GLASS]. I was informed that the Senator from Virginia said this morning that he realized the bill could not pass with the branch banking proposal in it. I did not so understand the Senator, but I was so informed.

Mr. GLASS. No; I made no such statement. What I did say was that it was my own view that the branch banking provision of the bill as now drafted could not be passed at this session and that, therefore, I had contemplated making a modification of it.

Mr. LONG. If the Senator from Michigan will yield further, may I ask the Senator from Virginia if that modification would be only such modification as the Senator from Michigan has proposed or would it be to strike out the section?

Mr. GLASS. I think it fair to the Senator from Michigan to let the Senate first pass upon his proposed amendment. In the event that amendment is defeated, then I shall propose an amendment which would modify the branch banking provision of the bill.

Mr. VANDENBERG. Mr. President, I want to present the branch banking prospectus as I conceive it will exist under the limitations which are involved in my pending amendment. I want to submit to the Senate that in the face of banking realities in the United States to-day these limitations make the branch banking privilege absolutely necessary from the viewpoint of the public welfare. I believe, Mr. President, that I can sustain this thesis.

I am discussing my amendment, which is immediately before the Senate and to which the able Senator from Virginia [Mr. GLASS], the primary author of the legislation, has given his consent. The amendment relates exclusively to the branch banking section of the bill. No further defense of branch banking as an abstract principle, in respect to its essential contribution to answering America's continuing fiscal crisis, is necessary beyond the authoritative address of the distinguished author of the measure now at the bar of the Senate. He has demonstrated that, regardless of any academic prejudices which we may still harbor against alleged concentrations of money control, branch banking to-day is clothed with a decisive and inseparable public interest. Nay, more, it is clothed, Mr. President, with un-

escapable public necessity, and that statement is susceptible of unanswerable proof. I decline so far as I am concerned to let an adverse theory, no matter how persuasive, blind me to the true banking condition in the United States, which it is our responsibility to meet and face.

My pending amendment, I submit to the Senate, is well calculated to delete whatever rational fears—rational fears, and I emphasize the adjective—may still attach to the establishment of the state-wide branch banking privilege. It defends absolutely against competitive branch banking to begin with. In other words, it authorizes this new recourse only in circumstances which obviously require it in both the community advantage and the depositor's advantage. In such instances, Mr. President, I would not care to be a party to the responsibility for withholding what frequently may prove to be the only banking salvation for these communities and these depositors. Banking salvation is too desperately necessary in the lives of our people.

When the zero hour arrives in one of these situations, it will be no consolation for the distraught and broken depositor to know that he has been saved from synthetic monopoly only to be sacrificed to decentralized ineptitude. With my amendment, which I repeat bears the sanction of the authors of the bill, I submit that this depositor may be saved from both of these jeopardies. If that is so, certainly we are confronting a problem that is definitely clothed with a challenge in the name of depositor welfare and community welfare up and down the country.

Let me briefly submit to the Senate my conception of section 19 of the pending bill as it is definitely delimited by the pending amendment. Let me read the amendment:

Except in a city, town, or village where there is no National or State bank regularly transacting customary banking business, no such association shall establish a branch except by taking over an existing unit bank or an affiliate of such association.

That means, Mr. President, that there will be no branch banking within State lines except, first, in communities which have no banking facilities whatever, or, second, in communities in which an existing unit bank or an existing affiliate becomes a branch. In either or both of these instances I shall submit that the public welfare—by which I mean depositor welfare and community welfare—demands the branch banking option which is thus put at its disposal.

Mr. NORRIS. Mr. President—

The PRESIDING OFFICER (Mr. SCHUYLER in the chair). Does the Senator from Michigan yield to the Senator from Nebraska?

Mr. VANDENBERG. I yield to the Senator from Nebraska.

Mr. NORRIS. I may be anticipating the Senator in the question I am going to propound. If I am, I shall be content if he will so indicate, and I will hear him when he reaches the point in his argument. One serious objection it seems to me to the Senator's amendment is that where there is a bank in existence in a community the financial interests proposing to establish a branch bank there must buy the existing bank. Is not that a fair statement of it?

Mr. VANDENBERG. That is correct.

Mr. NORRIS. Will not that give an opportunity to the bank which is there to demand and secure a price for its sale which is entirely out of proportion to its real value?

Mr. VANDENBERG. The Senator from Nebraska is anticipating my argument; and if he will allow me, I am sure I shall reach categorically the precise point he is raising.

Mr. NORRIS. Very well.

Mr. VANDENBERG. Mr. President, when I was interrupted—and I am very happy to be interrupted by the Senator from Nebraska or any other Senator—I was laying down the proposition that if this amendment shall be added to the pending proposal there will be only two circumstances under which a branch bank may be established within State lines; first, in a community that has no banking facilities whatsoever; and, second, in a community where an existing facility is taken over as the nucleus for the new branch.

Regardless of what other criticisms might still attach to the system as thus delimited, at least the competitive feature

of branch banking, which is the main fear expressed by the existing banking system, the competitive feature of branch banking, in which the strong institution preys upon the weak in its appeal for public business or its appeal for community control, ceases to be inimically possible. There can be neither monopolistic raids nor banking piracy through the medium of branch banking under the terms of the amendment. Branch banking enters the equation only if and when it serves a specific and identified community utility. I submit that in such vicissitude it deserves to enter in the name of depositor welfare and in the name of community welfare and in the name of sound public policy.

Now, Mr. President, let us examine these two sole and only circumstances under which branch banking would be permitted in the face of this limitation, and let me repeat that this limitation now has the approval of the distinguished Senator from Virginia and his colleagues upon the committee.

First, branch banking will be permitted in communities which have no banking facilities at all. In those circumstances it may well spell the veritable salvation of those communities. Mr. President, at the present moment there are 1,240 towns in the State of Michigan without any banking facilities whatever. Some of them never had these facilities. Others have lost them through the failure of independent unit banks. In my own State of Michigan within the past 12 months banks have closed to a degree that makes it possible to say, I am sorry to state, that to-day 60 cities have no banking resources or facilities whatsoever that had them one year ago. The grave question is how those communities are to be hereafter served. I happen to be one of those who have always believed, and I shall continue to believe, that decentralized community life is absolutely necessary to the preservation of the traditional American character. I want to preserve decentralized life in America. I want to preserve so far as possible decentralized business. I am bound to concede that a community can not exist, however, except as it has some type of banking service. Therefore, the very argument that has heretofore been made against branch banking—and I refer to the argument that is advanced in the name of preserving decentralized community life—is to-day an argument in favor of branch banking, at least to the extent I am indicating, because there can be no decentralized life maintained, I submit again, in these bankless communities except that sooner or later some banking resource and some banking facility may be brought to the service of such communities.

I have indicated the extent to which bankless communities exist to-day. The figures I have given from the State of Michigan are only typical of the figures representative of the conditions throughout the country. In striving now, in other words, to save decentralized community life in this Nation, we must strive, first of all, to provide some type of banking resource around which decentralized communities may hope to continue to maintain themselves and survive. Therefore, since there is no other rational or alternative means except branch banking by which bankless communities may be served, I submit that the proposition that is brought to us from the Committee on Banking and Currency at the present moment is directly in line with the maintenance of this precise decentralized character of American life and business to the maintenance of which a vast majority of us are irrevocably dedicated.

There are only two possible ways in which these bankless communities can be served. One way is by the subscription of new capital to a new independent unit bank, but in most instances new money is not available. Bank investments, particularly in the smaller communities, are now utterly devoid of attraction, and will be probably for a long time to come; indeed, they usually are viewed as a liability rather than an asset. Time and again efforts of this nature to replace closed banks have ominously and significantly failed.

Furthermore, the business available in most of these bankless communities is not sufficient to warrant a capital structure of safe and dependable size. One of the poignant lessons we have learned in the past two years is that in-

adequate capitalization is a major banking menace, and repetition of such an error is not to be lightly encouraged. In other words, bankless communities are calculated to continue bankless indefinitely if their only recourse is the first alternative; and I might add that I think we would do a substantial disservice if we should persist in a banking situation which drives the little bankless communities into an effort to reorganize small, inadequately capitalized banks as the sole means of their banking existence. It is not sound public policy; it is exactly the contrary, to insist upon a system which will drive such small communities—and I have given the Senate the figures which indicate to what extent they exist—to the doubtful alternative of trying to reorganize little, struggling, inadequately capitalized, local unit banks as the sole means by which they can hope to persist and preserve their identity as communities.

The only other alternative of these bankless communities, except as they follow the course to which I have just adverted, is branch banking. If this recourse also shall be foreclosed, there is no hope whatever for these communities. Again I say it is small consolation to such a community to be told that it can not have any banking credit or facility whatever simply because our statesmen fear that the credit facility of a branch bank might be somewhat inadequate. I wish to repeat that thought. It would be small consolation to the bankless community when it discovers that it has no recourse left in the face of the defeat of the pending measure to be told that it has been protected against some sort of a synthetic monopolistic control, which it would infinitely prefer to have, even admitting for the sake of the argument that there are vices attached to it, than to have to struggle along without any banking facility or recourse whatever. The vice, however, that has been described and so frequently emphasized, in my judgment, Mr. President, does not seriously exist; and I think that statement is susceptible of proof. But if it does exist, it is much the lesser of two evils when the other evil is no banking facility at all.

We must not say to the bankless community that it has no recourse whatever except to try once more the faulty procedure of attempting to support an inadequately capitalized small-town bank in a community which can not support any other kind. If the critic of branch banking says that branch banking service is not so good as independent unit banking service would be in a given community, very well and good. For the sake of argument—

Mr. LONG. Mr. President—

The PRESIDENT pro tempore. Does the Senator from Michigan yield to the Senator from Louisiana?

Mr. VANDENBERG. I will yield in a moment. For the sake of the argument, I submit that most of the bankless communities will say that half a loaf is better than no bread.

I now yield to the Senator.

Mr. LONG. Does the Senator take the position that many little communities which had banks before they had good roads should have banks which they have lost restored to them?

Mr. VANDENBERG. On the contrary, I am endeavoring to say—evidently the Senator has been out of the Chamber—that it is absolutely impossible to replace these banks, and that they should not be allowed to be replaced on the basis of small, inadequately capitalized units which can not hope to succeed in time of economic stress. These communities, these depositors, are entitled, if possible, to dependable banking and adequate banking facilities.

Mr. LONG. Then, in the light of modern developments, this branch banking bill is not going to result in restoring the little banks which the Senator from Virginia calls "1-crop banks," and no benefit is going to come to the community through the branch banks.

Mr. VANDENBERG. I entirely disagree with the Senator. I think that if an adequate system is established of the nature envisioned by the argument of the distinguished Senator from Virginia there will be an opportunity to furnish banking service to these bankless communities, where

it is deserved, through the medium of branches which can operate upon a sound, dependable basis, and serve the community need, and make it possible for the community to survive where otherwise it could not survive.

I submit that to deny at least such an option to these bankless communities is not to save decentralized life in America; it is to throttle decentralized life; and I am not interested in any such procedure. On the contrary, I am interested in a constructive approach to relief for these communities, so that they may have a reasonably fair chance at dependable, reliable, adequate banking facilities and banking service.

Now, how about the second and only other permit—

Mr. WHEELER. Mr. President, will the Senator yield?

The PRESIDENT pro tempore. Does the Senator from Michigan yield to the Senator from Montana?

Mr. VANDENBERG. Yes; I yield. I was about to proceed to another phase of the subject.

Mr. WHEELER. Does the Senator think that at the present time branch banking is affording proper facilities in many of the communities where branches exist at the present time?

Mr. VANDENBERG. What branch banking does the Senator refer to?

Mr. WHEELER. I am asking the Senator if he considers that these branch banks that he thinks it is so advisable to have are at the present time, in this time of stress, affording proper banking facilities in the communities in which they are.

Mr. VANDENBERG. I am not familiar at first hand with the few States which permit branch banking. I can answer the Senator, however, in respect to chain banking service and group banking service, which I suppose is analogous; and I can say to him that the service thus rendered is a thousand times better than no service at all, and in many instances is completely adequate to the community needs.

Mr. WHEELER. Let me say to the Senator that when the branch banks were established in Montana and throughout the Northwest, the same identical argument was made that the Senator is making at the present time; but the only adequate service that is being afforded to the people of Montana to-day is through what few independent banks there are. You can hardly borrow a dollar from the branch banking system, or the chain banking system, I should say, that is now doing business throughout the Northwest. The most adequate banking service that is being afforded in that section of the country is being afforded by the independent bankers that still remain in that section of the country.

Mr. VANDENBERG. O Mr. President, I think that begs the question. It entirely begs the question.

Mr. WHEELER. Not at all.

Mr. GLASS. Mr. President, if the Senator will permit me—

Mr. VANDENBERG. I yield to the Senator from Virginia.

Mr. GLASS. The laws of Montana prohibit branch banking. They have not any branch banking.

Mr. WHEELER. I am speaking of the chain banks.

Mr. GLASS. Oh, well, there is as much difference between a chain banking system and a branch banking system as there is between night and day.

Mr. WHEELER. That is where the Senator and I disagree. The same identical arguments were made in favor of chain banking that were made on the floor of the Senate by the Senator for branch banking. The Senator from Michigan and I were talking, at the particular moment the Senator from Virginia interrupted, about chain banks, and I said that the chain banks were not affording proper banking facilities in the Northwest.

Mr. GLASS. The Senator said the branch banks were not, and the RECORD will show that to be the case. He may have inadvertently used that expression.

Mr. WHEELER. If I did, it was done inadvertently; but I thought I said "chain banking."

Mr. VANDENBERG. Mr. President, I happen to know of specific instances, more than one, where the banking situation has been saved by chain and group banking with as fine

a conception of unselfish consideration for the welfare of a community many miles from the parent bank as could possibly be expected or desired from any business institution on earth; and, whether it be adequate or not, I repeat that the question of the Senator from Montana, in my view, begs the question. The question is not whether a branch banking system is preferable to independent unit banking. My answer to that question abstractly always has been that independent unit banking is preferable; but, as one Senator upon this side of the aisle said to me a day or two ago in respect to another problem, sometimes there comes a moment when the opinions of a lifetime are kicked to death by one stubborn fact. We confront one stubborn fact to-day, and that is that this country is covered from end to end with bankless communities where no facilities are calculated to be restored on a sound, dependable basis except as they be restored through the use of the branch banking privilege. The choice we confront is between branch banks or no banks in these communities. We are not free to choose the alternative preferred by the Senator from Montana.

Mr. NORBECK. Mr. President—

Mr. VANDENBERG. I yield to the Senator from South Dakota.

Mr. NORBECK. It is rather hard to find that a system successful for 50 years does not work out well; but it is harder still to accept the idea that something else has worked a few months, and therefore has proven its worth as against the 50 years' experience of the other system.

I think the general condition in the country is very largely the explanation of our bank failures. I admit, of course, that the better roads and the automobile have decentralized business into the towns rather than the villages, and that in the nature of the case some of the smaller ones had to give way. After all, however, it is the shrinkage of securities that has weakened banks, the shrinkage in the value of property; and how do we know that these reorganized banks that have saved communities and promised so much will be open five years from now, or even one year from now?

Mr. VANDENBERG. Mr. President, all we can do is to use our best judgment. I cordially concur with the able chairman of the committee in his notion that general conditions have substantially contributed to the difficulties in which we find ourselves; but we now confront a specific condition and not a theory. That condition is, to the extent to which I have thus far discussed this question, that this country is covered with bankless cities and towns, and that these cities and towns can not indefinitely survive without some sort of banking facility; and that it would be totally unsafe and unwise, consulting this precise experience to which the Senator refers, to permit banking to be resumed in these communities on any such old-fashioned basis as used to involve utterly inadequate capitalization and utterly inadequate resources.

Mr. NORBECK. Mr. President, may I make another observation?

Mr. VANDENBERG. I yield to the Senator from South Dakota.

Mr. NORBECK. The Senator will recognize that every bank organized since values were deflated has a wonderful start compared to the old ones that carry the big loans, poorly secured. In other words, there never was so easy a time to start a bank and keep it solvent as now.

Going back, however, to the question of bankless communities, I think we have 50 of them in my State.

Mr. VANDENBERG. You have more than that.

Mr. NORBECK. But I have not had 50 letters asking for banking facilities. Many of them are within a short distance of other towns that have banks. I have, though, by banks that wanted to put in branches, been reminded forcibly that there is great need, great distress, and crying need for banks in these communities, and I have been told that I must do something to save the people from the horrible distress that results from that condition. These prayers, however, do not come from the people themselves. The prayers come from those who want to save them, not from those whom it is sought to save.

Mr. VANDENBERG. I am not interested in weighing the relative force of propaganda pro and con in respect to branch banking. Propaganda is a treacherous counselor. I am dealing with what I believe to be a real condition, and I am dealing with it in what I believe to be the only safe and sound way to proceed in the restabilization of decentralized community life and its opportunities on the countryside of this Nation; and I am dealing with it in a fashion which I think is sustained by the experience of other countries and by the experience of our own people.

Mr. WHEELER and Mr. SHIPSTEAD addressed the Chair.

The PRESIDENT pro tempore. To whom does the Senator from Michigan yield?

Mr. VANDENBERG. I yield to the Senator from Montana. I think he was first on his feet.

Mr. WHEELER. Mr. President, I desire to ask the Senator how many of these branch bank systems he thinks would have been able to stand up if it had not been for the fact that the Reconstruction Finance Corporation came to their rescue.

Mr. VANDENBERG. What branch bank systems does the Senator refer to?

Mr. WHEELER. I have reference particularly to the branch bank systems in New York City. We all know what happened when the Reconstruction Finance Corporation bill was passed—how it was whispered around here that unless we passed it some of the great banking systems, the largest banks in the United States, would go into receivership. It was whispered that that would happen unless we passed the Reconstruction Finance Corporation bill and passed it overnight.

Mr. VANDENBERG. Those are independent unit banks; are they not? The Senator is referring to independent unit banks with branches in their own towns?

Mr. WHEELER. Branches, yes; but they are branch banks.

Mr. VANDENBERG. No; I beg the Senator's pardon. It is a totally different system from the conception of this bill and the argument which I am making.

Mr. WHEELER. I beg the pardon of the Senator from Michigan. They are branch banks. They are banks in the community with branches all over the city, both in the city of Chicago and in the city of New York.

Mr. VANDENBERG. The Senator will agree at least that if we are to have state-wide branch banking, it would be advisable to limit the privilege as my amendment proposes; and that is the extent of the argument which I am submitting to the Senate at the present time.

Mr. SHIPSTEAD. Mr. President—

Mr. VANDENBERG. I yield to the Senator from Minnesota.

Mr. SHIPSTEAD. We are all aware that in a greater or less degree the condition which the Senator outlines exists, but if the people in the various States are suffering from lack of bank facilities, and these facilities can be provided by branch banking, the people have a remedy. They have State banks and State laws, and authority to establish branch banks under State laws. It seems to me that if there is such a grave necessity and a great need for these branch banks to fill in where there are now no banking facilities the States have the authority and the power to furnish the remedy by giving State banks the right to operate branches. It seems to me to be reasonable that that would naturally be so.

Mr. VANDENBERG. What is the Senator asking?

Mr. SHIPSTEAD. Does not the Senator from Michigan think that the States have an adequate remedy in State legislation, through giving State banks the right to have branch banks, to fill in these banking facilities where there are now none in the smaller centers of the State?

Mr. VANDENBERG. Mr. President, the State legislative authority certainly could partially meet the situation in the fashion indicated by the Senator from Minnesota; but our responsibility is not for a State banking system at all, but for a national banking system. I do not concede nor conceive that we answer our Federal responsibility by declining

to act in respect of the banking resources within our authority and referring the problem back to State authority. We can not hide behind the permissive action of State legislatures.

Mr. SHIPSTEAD. Mr. President, will the Senator yield further?

Mr. VANDENBERG. I yield to the Senator.

Mr. SHIPSTEAD. Does not the Senator think that a Senator representing a State in the Congress of the United States should have some regard for his State's public policy on matters as expressed in law when he comes to make a decision himself as to what action he shall take here? If a State has expressed a policy in law, does not the Senator think that a Senator representing that State should have some regard for that policy?

Mr. VANDENBERG. That depends entirely upon what the policy is. No State can establish a policy in respect of State banking which finally gives any valid or conclusive precedent in respect of national banking, which is our own exclusive and peculiar responsibility. Furthermore, I will say to the Senator that if the Congress of the United States had taken for its precedents in all its banking legislation some of the things that have been done by the States in respect to some of the State structures there probably would not be any national banking structure left. Therefore I do not consider that the precedent is necessarily conclusive.

Mr. SHIPSTEAD. I will not detain the Senator any longer, except to say that I think Congress did accept the worst practice of State banks when they passed the McFadden banking bill and when they refused to copy the policies of the States prohibiting branch banks; and it may be one of the times when they should take notice of those policies.

Mr. VANDENBERG. Mr. President, I do not desire to discuss the McFadden bill. I do want to say, before I forget it, in response to the Senator from Montana, that I am aware of no Reconstruction Finance Corporation loans to any of the New York City banks which he was using in his example.

Mr. President, let what I have said suffice in respect to the first of the two permits which are allowed by way of branch banking under my amendment. Now let me briefly dismiss the second alternative, because I do not want to take the Senate's time much longer. There is only one other circumstance, if this amendment be adopted, under which branch banking would be permitted within the State limits.

Where banking facilities already exist, no branch can enter except as it succeeds an existing facility. In other words, there can be no monopolistic raids, and no monopolistic expansion. The needs of the community, as assessed and controlled by the existing independent-unit bankers, if you please, govern the entry of a branch. If these independent bankers are to be trusted with their present prerogatives, they can be trusted with this further responsibility.

Is it wise or is it safe for the Senate to take upon itself the responsibility of saying that this discretion—this choice of an alternative—never shall be exercised in behalf of banking stabilities when these stabilities are so inseparably linked with the lives and livelihood of the people?

Let us consider this second alternative in the light of the realities as they exist to-day. Where pyramiding losses, honest losses, have seriously impaired the capital structure of a bank—and for obvious reasons I do not dwell upon the contemporary extent of this status—what process can save the bank? Again, there are but two alternatives. The first alternative is the voluntary replacement and renewal of the capital structure. This process is calculated to fail for the same reasons already attributed to the inability to reorganize and reopen banks in bankless communities. The frequent failure in major part to collect double liability assessments demonstrates that this stockholder reservoir is relatively dry.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. McKELLAR. I want to ask a question about the actual workings of the system just for information. Let us

assume that a bank in a city desired to buy and did buy a bank in a smaller town near by. Let us assume that the bank in the city had a million dollars capital, and that the bank which was purchased was bought for \$50,000 or \$100,000. What capital would be fixed for the combined institution? Would the parent bank in the city simply buy and add that liability to its stock holdings, or would the capital stock of the parent bank be increased by the amount of the purchase price of the branch?

Mr. VANDENBERG. The Senator's question is very pertinent, and I am coming right now to a discussion of that particular phase, and it is the very operation of the system concerning which the Senator is inquiring which is so utterly important by way of public service. If the Senator will permit me to proceed just a little farther, I think he will have a complete answer to his question.

Mr. McKELLAR. I am called out of the Chamber, and I wanted the Senator to answer the question before I left. Can he not do so at this time?

Mr. VANDENBERG. Mr. President, the answer to the Senator's question describes the only other alternative to a closing of this bank which finds its capital structure completely impaired. What happens? That is what the Senator wants to know.

The impaired bank is absorbed by the stronger institution on a branch relationship. The original capital resources of the local unit bank wipe clean the losses of that bank. New capital is unnecessary, because of the new backlog of capital in the parent institution. In other words, the depositor—and he is the only man for whom I plead—is safe.

This is the way it works: Bank A is a parent bank in the industrial metropolis of a given State. Bank B is an independent unit bank in a smaller community of the same State. Under the stress of these times the losses sustained by bank B, operating as an independent unit bank, represent the total capital structure of that bank. Obviously, therefore, bank B can continue to operate only if, first, there is a voluntary replacement of the capital structure by the stockholders, which is usually impossible in these times; or by a new branch relationship with bank A in the big center.

What is that new relationship? Bank A, in the big center, has a sufficient capital structure to handle not only its own depositor liabilities, but also the depositor liabilities of bank B, which is taken over as a branch. If it has not those adequate capital assets, Mr. President, this bill would not permit the branch to be taken over by the larger bank.

Mr. McKELLAR. Mr. President, that leads to the very next question I wanted to ask. Who passes upon whether those assets are sufficient to justify the big bank in taking over the branch bank?

Mr. VANDENBERG. Here is the answer to the Senator's question: First, no branch may be established or operated without the approval of the Federal Reserve Board. That obviously contemplates a complete examination preliminary to the junction. Second, the aggregate capital of every national banking association and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of national banking associations situated in the various places where such association and its branches are situated.

Mr. McKELLAR. Mr. President, let us take an actual case for a moment, and perhaps the Senator can give me more directly the information I want.

Let us suppose that the First National Bank at Memphis, Tenn., where I live, has a capital of a million dollars, and undertakes to buy a bank at Jackson, Tenn., 85 miles distant, for \$100,000.

Mr. VANDENBERG. Just what does the Senator mean by that?

Mr. McKELLAR. Suppose the bank at Memphis buys a failed bank and pays \$100,000 for it, takes it over, and makes a branch of it. If the bank at Memphis has not that degree of capital that would make both institutions perfectly safe, would the Federal Reserve Board have the right, under

the proposed law, to require the First National Bank at Memphis to increase its capital stock?

Mr. VANDENBERG. The law requires specifically a certain amount of banking capital in the organization and operation of a bank. The new proposal, I understand, increases the minimum capital requirement. Whatever the legal requirement of capital is—and I say to the Senator that there always is a legal requirement—there can be no branch except as the capital structure of the parent institution is equal to the combined capital required in the parent city and in each of the subordinate branch towns where it proposes to operate. That is the only answer I can give to the Senator. I think it is complete.

Mr. NORBECK. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. NORBECK. If, on the other hand, at the present time the larger bank had a little surplus capital, it could take over the smaller bank without putting up any capital, could it not?

Mr. VANDENBERG. That is correct.

Mr. NORBECK. In other words, the total capital of the combined institution would be less than the capital of the two institutions formerly was?

Mr. VANDENBERG. That is correct. But that observation is entirely beside the point, because so long as the capital structure is adequate, I respectfully submit that the depositor in this small-town bank, which is about to be taken over as a branch, is the person upon whom we want to keep our eye glued. That depositor, if he is dependent solely upon this local, independent, unit bank which has its entire capital structure impaired, and probably has to close and liquidate, is in very great jeopardy in respect to any of his money, whereas if this bank becomes a branch of the larger institution, under competent capital structure requirements, as demanded by the law, the depositor in the smaller town is sure of all of his money, in so far as it is possible for the law to make him sure; and I submit that that is the challenge to which Congress can not much longer be deaf and blind. Depositors are demanding security, and they are entitled to have it.

Mr. McKELLAR. Mr. President, what I wanted to ask the Senator was this: Who passes upon the adequacy of the capital structure the Senator speaks of?

Mr. VANDENBERG. That is fixed by law.

Mr. McKELLAR. The Federal Reserve Board does not have that power? In other words, as I understand the present law, the Federal Reserve Board has not the power, when it feels that the bank capital of the parent bank is inadequate, to increase the capital. Has it that power, or not?

Mr. VANDENBERG. The board has complete authority to decline any application for a new charter which it wants to decline, and the law fixes the capital requirement.

Mr. GLASS. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield to the Senator from Virginia.

Mr. GLASS. The law itself, as the Senator said, fixes the capitalization of the banks at the minimum and requires that any bank that may want to establish a branch in a given community must provide in addition the same amount that is required for the establishment of an independent bank. In other words, if in a given town in Tennessee under the banking act now proposed the requirement for the establishment of the bank is \$100,000 minimum capital and a large bank somewhere else wants to establish a branch bank there, it will have to increase its capital, if it has not already an ample amount of capital, to the extent of \$100,000.

Mr. McKELLAR. That answers the question I had in mind.

Mr. VANDENBERG. Mr. President, I want to come to the phase of the matter originally suggested by the able Senator from Nebraska [Mr. NORRIS]. We are proposing by the amendment to limit the establishment of this branch in the subordinate city to a situation in which the branch takes over some existing banking facilities. The Senator from

Nebraska wants to know if that does not put too large a power in the hands of the local community bank in respect of this situation, as I understand the question.

Mr. President, if we are to protect the branch-banking privilege against too wide an opportunity to invade territory where it is not needed and does not belong, it seems to me that we must supplement the power resident in the Federal Reserve Board to deny branch permits. We must supplement it by some actual local rule of delimitation. In other words, we must strive so far as possible to create a situation in which a reasonable local veto in behalf of a branch bank shall precede the appearance of the branch bank. On that theory I know of no better way to seek to establish this tentative veto than to lodge it in precisely the type of a provision which is in this amendment. The local independent unit bank, well aware of all the alleged infirmities attaching to branch banking, well aware of community pressure which can exist against unpopular branch banking, if it be improper, is not calculated to yield up its charter and its franchise as an independent unit and to subordinate itself as a branch except when confronted with dire necessity to defend its depositor liabilities. In this latter crisis I submit that it is indefensible not to permit the branch recourse in order to save the depositor.

So far as I am concerned, in the face of the banking realities as they exist in the Nation to-day, I have no fear either (1) that there will be any desire to extend branch banking voluntarily on the part of the parent unit into any situation where it can be avoided, or (2) that there will be any willingness on the part of the local unit to surrender its identity and its independence except as it feels that its obligation to the depositor absolutely calls for that sacrifice.

Mr. NORRIS. Mr. President—

The PRESIDENT pro tempore. Does the Senator from Michigan yield to the Senator from Nebraska?

Mr. VANDENBERG. Certainly.

Mr. NORRIS. The last condition referred to by the Senator would never come about unless the local bank reached a situation where it was about to fail, would it?

Mr. VANDENBERG. That depends entirely upon the Senator's specifications of "failure."

Mr. NORRIS. That it would have to close its doors.

Mr. VANDENBERG. No. I have in mind, speaking abstractly, a situation in which a bank with good solvent assets, perfectly sound and under able management, and with every prospect of weathering the gale, is so moved by a sense of public responsibility to its depositors that it is wondering what it can do by way of further bulwark. I am thinking that that bank, which is far from a failed or failing bank, as the Senator uses the term, might welcome an opportunity such as this to doubly reinforce the depositor insurance that will exist in that community in respect to its depositor liability.

Mr. NORRIS. The Senator must have in mind a bank controlled and operated by some superhuman, some person moved entirely by some religious or philanthropic motive and without any idea of making money.

Mr. VANDENBERG. No. On the contrary, while the Senator's animadversion once upon a time may have attached to a large section of banking, yet I think that to-day, at least so far as the back country is concerned, the average banker is feeling about as solemn a responsibility as any man could feel.

Mr. NORRIS. I have no doubt of it.

Mr. VANDENBERG. If the Senator will permit me, the banker is thinking not of himself nor of his stockholders, but he is thinking solely of his depositors and will do anything on earth within his power to protect them. That is his supreme obligation, and few bankers to-day are guilty of treason in this behalf.

Mr. NORRIS. I am not disputing that. The Senator stated a proposition which, it seems to me, is very far from his usual frankness in answering a proposition where he has submitted to interruptions. I wanted to know, and I still want to know, whether the Senator's amendment will not

place it within the power of an independent banker to prevent and absolutely hold up, if I may be permitted to use that term, any other institution from coming into the community.

Mr. VANDENBERG. Coming in as a branch bank?

Mr. NORRIS. Yes; establishing a branch.

Mr. VANDENBERG. That is entirely correct.

Mr. NORRIS. It is entirely within his power?

Mr. VANDENBERG. That is absolutely true.

Mr. NORRIS. If branch banking is so desirable, if this bank ought to be changed into a branch bank, the Senator's amendment has not made it possible for that to occur except upon satisfaction being given to some person who owns that unit bank, on any terms and for any price that he may designate. The man with the little bank of \$25,000 capital in a little town can say, "I am supreme. There is no power that can put me out of business. I will not sell out for less than \$1,000,000." In other words, he can put the price so far above what the bank is worth that the other bank may be forced to go beyond what is fair and pay an unreasonable price, really bringing upon itself a loss, all of which will have to be delegated to and stood for by the stockholders of the other institution. In any event, it does not seem to me to be fair, speaking from the community standpoint, to permit somebody who has already established a bank, no matter what the community may think, to be able to say and have the supreme power to designate whether there shall be another bank there or whether there shall not be another bank.

Mr. VANDENBERG. Mr. President, I have often heard the Senator say that all legislation and governmental relationship finally comes down to the exercise of the human factor and that at some point it is necessary to rely upon human judgment. I submit to the Senator that if we are to have a limitation, this is the most practical human limitation, because it deals with the banking realities of the community and those can not be ignored in respect to the operation of the limitation.

Mr. NORRIS. The Senator must not get the idea that I am asking my question in any critical sense.

Mr. VANDENBERG. I understand that.

Mr. NORRIS. Perhaps it is the only thing that can be done and perhaps it is necessary to do it that way; but I am putting the proposition, and it seems to me it is a serious one, whether under the Senator's amendment he does not place in the hands of probably one man in every community to which the amendment applies the power to say whether there shall be a branch or whether there shall not.

Mr. GLASS. Mr. President—

The PRESIDENT pro tempore. Does the Senator from Michigan yield to the Senator from Virginia?

Mr. VANDENBERG. I yield.

Mr. GLASS. Is not that the fact now in every State which does not permit branch banking? As I understand, the Senator from Michigan proposed his amendment in order that that situation might measurably be corrected, and he did it to abate or avert a decree that big banks would necessarily gobble up the little banks, whether they want to be taken over or not. But under existing conditions there are situations which the Senator from Nebraska ascribes to the proposed amendment and the Senator from Michigan denies. The little bank has a monopoly of the credit of the community, and it can prevent any other bank from coming in and selling its credit to the business people.

Mr. NORRIS. Oh, no. If somebody else wants to start a bank he can do it. The community is open to anybody. If somebody wants to start a branch bank, if branch banking is allowed, he can start a branch bank. Still the explanation does not answer the question, as I look at it. I am asking a question, and perhaps this suggestion will bring some way of obviating it if we are going to agree to this amendment. I think it is a very serious thing. We are going to say to a community, as I look at it, "Here is a man, Mr. A, who owns a little bank, and it is to be up to him to say whether there shall be a branch bank here. You will

have to buy him out first. You will have to meet his demands." He can be unfair and unreasonable. Perhaps there is no escape from that. It does not exist now, at least I know it does not in my State. We can start a dozen banks at the crossroads if we want to do so.

Mr. VANDENBERG. The Senator could start a dozen independent banks under the terms of this bill if he could qualify for the privilege.

Mr. NORRIS. But we could not start a branch unless the local banker gave us permission.

Mr. VANDENBERG. And the Senator can not start a branch bank in any community in Nebraska under the present law.

Mr. NORRIS. No; we have not any such law. But anyone can start a bank.

Mr. VANDENBERG. And the Senator could still start the same bank after this bill is passed.

Mr. NORRIS. Yes; but the big bank has got to buy out the local bank before it can be changed into a branch bank. It may be that my objection ought to come from those who favor branch banking. It seems to me it ties their hands; and if we are going to have branch banking, I do not want to do that. We talk about the large bank in the city that we are afraid of, and it is said this is one way to get around it. I am no more anxious to give the little fellow a monopoly than I am to let the big fellow have the monopoly. I think it is just as bad to say to Mr. A, in a town where they have but one bank with \$10,000 capital, "You may hold up the whole community and prevent anybody else coming in competition with you," as it is to give the same power to Rockefeller or any of the other big bankers.

Mr. VANDENBERG. It is rather difficult to meet the situation when, if the branch-banking privilege be unlimited, the Senator from Nebraska would object to it because it is unlimited, and yet when it is limited he objects to it because it is not unlimited.

Mr. NORRIS. Oh, no. There is nothing difficult about my question. Of course, I am not laboring under the apprehension or understanding that the Senator from Michigan does not understand my question. I have asked the question whether under his amendment he does not put it within the power of the little bank to be absolute and supreme as to the establishment of a branch bank in that community.

Mr. VANDENBERG. And it seems to me I have said to the Senator a dozen times that the answer is yes.

Mr. NORRIS. All right; that settles it.

Mr. VANDENBERG. But—

Mr. NORRIS. Oh!

Mr. VANDENBERG. But I submit again that the veto is no more complete than it is to-day in practical effect.

Mr. NORRIS. I dispute that. I do not believe that can be demonstrated.

Mr. VANDENBERG. About an hour ago I told the distinguished senior Senator from Idaho [Mr. BORAH] that I would occupy the floor but a few moments.

Mr. BORAH. Mr. President, I do not desire to interfere at all with the Senator from Michigan. I have plenty of time.

Mr. VANDENBERG. I owe him several apologies for having prolonged the debate, but he will have to bear with me in view of the fact that it has been through interruptions that I have been kept upon my feet. I should prefer to proceed without interruption after I shall have yielded to the Senator from Louisiana.

Mr. LONG. I think it is only fair that this matter should be called to the Senator's attention before he sits down. A great deal has been said by the Senator from Virginia [Mr. GLASS] and the Senator from Michigan [Mr. VANDENBERG] about the wonderful branch bank system of Canada.

Mr. VANDENBERG. No; I have not said a word about it.

Mr. LONG. Very well; but I should like to give the Senator the details so that the distinguished Senator from Virginia—

Mr. VANDENBERG. Would the Senator from Louisiana just as lief submit those details in his own time, inasmuch as they are totally unrelated to anything I have said?

Mr. LONG. I merely want to state one fact, inasmuch as the Senator from Virginia is acting in a way as moderator of this debate, namely, that in Canada they had about 27 banks and 16 of them broke. There was a greater percentage of failures of banks in Canada—four to one—than America has ever had. I have the statistics here, which have been furnished me by the chairman of the Banking and Currency Committee of the House of Representatives.

Mr. VANDENBERG. Mr. President, I have said practically everything I wish to say on this subject. I decline to be a special pleader for chain or group or branch banking. All my inclinations run otherwise. But again I decline to ignore realities. We already have chain banking and group banking; and we will continue to have it, whether we approve this bill or not. All of the vices, if there be vices, that are conjured against branch banking already exist in the theory of group and chain banking. The alleged vices exist without the offsetting advantages of common, open, and mobile responsibility which exists in branch banking. We do not escape these conjured evils by the defeat of this bill. We merely refuse to ameliorate them if they exist.

We already have dependent banking on the countryside even where the fiction of independent banking persists, because, in the final analysis, the small bank is dependent upon its correspondent in a larger, neighboring city, and the larger bank in turn is dependent upon its correspondent in New York or Chicago. I have seen this fatal dependence actually at work more than once. I hate it. But we do not escape by denying the passage of this bill. We merely defeat the possibility at least of decentralizing this control to the extent of building self-reliant, self-contained banking centers within the States themselves.

We already have the seeds of banking monopoly, not only in existing groups and chains but also in communities where only one bank still exists. We are well advised of credit constrictions in many places as a result.

I contend that there is no greater element of monopoly in limited state-wide branch banking; whereas, on the other hand, there are elements of compensating utility.

I want, Mr. President, to think solely of the depositors and the community welfare in this situation. I am one of those who believe that ultimately it is possible, without involving the jeopardy of a general guaranty plan, to provide some sort of insurance for the limited time deposit liability of banks. I believe such a device is feasible and that it would rebuild confidence, end hoarding, and relax credit. But first of all and fundamentally the structure must be sound and safe, and a safe and sound structure at the present time, it seems to me beyond peradventure, requires the option of branch banking as limited, first, to the community which is bankless—and that community is legion to-day—and, second, to communities where an existing independent unit proposes to stabilize and solidify itself and its situation for the benefit of its community and for the benefit of its depositors by associating itself in a branch bank relationship with a stronger unit; and on that basis I submit my amendment to the judgment of the Senate.

Mr. President, I have no notion that section 19 of the pending bill is a panacea. I have said nothing about the general arguments advanced in favor of branch banking—notably the depositor security apparently enjoyed by these systems in other lands. There are other and additional depositor safeguards which I would invoke. At the moment I respectfully argue that my pending amendment—to which the distinguished author of the bill assents—creates a limited branch banking option which, in the face of existing banking realities, should not be foreclosed to emergent use in behalf of depositor welfare and community welfare in the United States.

Mr. SCHALL. Mr. President, it seems to me that during the discussion of section 19 of the banking bill now under

consideration it is pertinent to have the attitude of the independent bankers of my State before us, and I therefore ask that a letter to me, together with what they term "the set-up," be printed in the RECORD, and I ask unanimous consent.

There being no objection, the letter and accompanying paper were ordered to lie on the table and to be printed in the RECORD, as follows:

THE INDEPENDENT BANKERS ASSOCIATION,
Long Prairie, Minn., December 28, 1932.

Hon. THOMAS D. SCHALL,

United States Senator, Washington, D. C.

DEAR SENATOR: If section 19 of the Glass bill becomes a law, it will mean the elimination of the independent unit country bankers, and with the passing of the unit banks all other independent business will be at the mercy of the large central banks. Minnesota and, in fact, the whole ninth Federal district, will be dominated by the two large group banking organizations. They would be able to set up branches wherever they wished. Our cities, school districts, and counties would receive no tax except the tax on real estate of the branches and a tax on what little personal property the branch might have, such as fixtures, etc. The managers would be denied initiative and the community funds which these branch banks would gather up would be loaned, in very limited amounts, to the people of the community. Branch banks would, naturally, be nothing more than places to gather deposits to forward to the home institution to be loaned at the direction of the higher officers; and further, it must, of necessity, follow the chain-store system of sending the profits of the business out of the community in which they are earned. Banking is a personal business, and a banker, to render service to his community, must know his people well. Banking is more than just accepting deposits. Deposits, as much as possible, should be loaned to the community in which they are received so that the community might receive the advantage of that which is rightfully theirs.

It would appear that the two large group banks in Minnesota are intent on dominating the affairs of this State, as well as the ninth Federal district. If section 19 of the Glass bill goes through, their financial prestige, as well as political power, will be so complete that it will be suicidal to oppose them. The people are not interested in branch banking, but they are not in a position to make their voices heard, while those who favor branch banking are in a position to state their cause and to be heard.

If section 19 of the Glass bill passes, it is going to place in the hands of the very few the entire credit machinery of the Nation. Section 19 is so utterly opposed to the spirit of the times that it is bound to bring ruination to its sponsors. The large banking interests of the country should realize that legislation is becoming more and more socialistic; that if banking is concentrated into the hands of the few, the rank and file will eventually rise up against them; that it will give the common people something to shoot at; and that eventually the structure, which they are trying to raise to get domination of the credits of the country, will collapse, carrying the sponsors to ruination.

We are unalterably opposed to section 19 of the Glass bill in any form. For your consideration I inclose a brief set-up on the possibilities for manipulation and profit by the "insiders" of the group banking system should branch banking be instituted.

Very respectfully yours,

ROBERT D. BEERY, Secretary.

As chief proponents of branch banking, the interest of group bankers may not be wholly uninfluenced by the possibilities for substantial profits to the insiders of group-banking organizations.

Testimony before the subcommittee of the Committee on Banking and Currency, United States Senate, in March, 1931, brought out the fact that one of the principal group banking systems, operating as a holding company, has 122 banks and 12 investment companies. The capital of these banks, according to the Rand-McNally Bank Directory, is \$24,847,000 with surplus and profits of \$17,144,000, representing total capital value of \$41,991,000. According to the testimony, this group of banks had total deposits of \$409,000,000. Operating in 8 States, the total capital and surplus investment of 8 of their banks, representing the largest bank in each of the 8 States, is \$16,680,000, represented by \$10,400,000 capital and \$6,280,000 surplus.

There were 1,670,000 shares of holding company's stock outstanding at the time, with par value \$50 per share, making total outstanding capital of the holding company \$83,695,000. One significant fact disclosed by these figures is that this holding company paid for these banks just about twice their value as reflected by the capital and surplus of the banks acquired.

This holding company had 12,750 stockholders. The largest block of stock is owned by men who are connected with the home or parent bank. In the distribution of this stock, the first 100,000 shares sold at \$50 per share. Subsequently stock was distributed for cash on two occasions, once at \$62 per share and another time at \$72.50 per share. The balance of the holding company's stock was distributed by exchanging it for the original capital stock of its present affiliate banks, on a price basis ranging as high as \$99.50 per share. Originally the holding company stock paid dividends of \$1.80 per share but has been twice reduced and now pays 15 cents per quarter or 60 cents per annum. This stock is currently quoted at about \$8 per share.

The speculative possibilities, if branch banking passes, are readily apparent when one considers the opportunity for those in position to control the market value of this stock, to buy the entire outstanding issue of holding company stock, which, at current prices, would require but \$13,360,000 (1,670,000 shares at \$8 per share), cancel this stock, cancel the capital stock of all member banks except that of the largest bank in each of the eight States, designate these eight banks as parent banks, all others serving as branches.

Thus, for an investment of \$13,360,000 one would own 8 parent banks with capital and surplus value of \$16,680,000 and have \$25,311,000 representing the liquidating value (present capital and surplus) of the 114 banks operated as branches. Deducting the purchase price of the holding company stock (\$13,360,000) from the \$25,311,000, would leave a net profit or present of \$11,951,000 in cash, in addition to the absolute ownership, without cost, of a great chain system of banks, having a liquidating value (capital and surplus) of \$16,680,000 and a franchise, the value of which would be worth millions.

This computation is predicated upon a branch system limited to State boundaries. Except branch operations were confined to State lines, the investment in parent banks would be less and the net cash profits proportionately greater. Not a displeasing possibility for those who stand to profit by branch banking—monopoly—special privilege.

DISCUSSIONS BETWEEN PRESIDENT HOOVER AND PREMIER LAVAL

Mr. BORAH. Mr. President, in view of the fact that the letters from the Secretary of State and the Secretary of the Treasury were ordered inserted in the RECORD, I feel justified in amplifying what I said on last Wednesday in the colloquy during the debate on the question of international debts. I might say that, eliminating the conclusions in those letters, I would have very little, if any, difference with those who wrote them. In the statement of facts I find full support of my statement last Wednesday.

Mr. FESS. Mr. President, will the Senator yield to me to suggest the absence of a quorum?

The PRESIDENT pro tempore. Does the Senator from Idaho yield to the Senator from Ohio?

Mr. BORAH. The Senator from Pennsylvania is ill; otherwise I would yield so that he might be here, but he is ill, and I prefer not to yield.

The PRESIDENT pro tempore. The Senator from Idaho declines to yield.

Mr. BORAH. As I was about to say, aside from the conclusions in the letters, I have very little difference with the statement of facts upon the part of the writers. To illustrate what I mean, the Secretary of State says:

So far as these discussions touched upon the subject of debts and reparations they were limited entirely to temporary steps which might be taken to offset the effects of the depression.

And that, Mr. President, was precisely what I undertook to state the other day: That there was a discussion of reparations and debts, with an understanding that steps would be taken in dealing with them so as to mollify or lessen the effect of the depression. In other words, they did discuss readjustment of both reparations and debts. But I am not quite content to leave the subject there. I want to say something further in regard to the subject in justification of the statement which I made the other day.

It is my understanding that France solicited a postponement of payment, asked for a moratorium; and therefore I was not discussing the matter at that time with the idea that France had deliberately and willfully, without any reasonable justification, defaulted in her payment and repudiated her obligation. I did not understand that to be her position, and I do not at this time understand it to be her position. I also stated at that time that I was not defending the failure of France to pay or defending her default. I merely undertook to say that sufficient took place in reference to negotiations on reparations and debts to justify the French people in coming to the conclusion that if there were a readjustment of reparations there should be a reconsideration of the debts; and that I shall undertake to sustain by the record.

First, let me call attention to the exact language which I used. This matter was brought into the debate by the interruption of the able Senator from Oklahoma [Mr. GORE], who said:

A nation, when it violates its faith, forfeits any right to confidence and trust.

Mr. BORAH. I do not desire to appear here to-day as a defender of the default upon the part of France. I think it was a mistake. But I do desire to say, and I have no hesitancy in saying it in public, that I have no doubt in the world that France understood, when she canceled reparations, that she would receive some readjustment of debts on the part of the United States.

What I contended was that the French people came to the conclusion that if there were a readjustment of reparations, there would be some readjustment of the debts—no specified agreement as to what that readjustment should be, but that the whole matter of international obligations would be reconsidered. That is clearly supported by the public record and the public print.

Mr. MOSES. Mr. President, will the Senator permit me to ask him a question at that point?

The VICE PRESIDENT. Does the Senator from Idaho yield to the Senator from New Hampshire?

Mr. BORAH. Yes.

Mr. MOSES. I am wondering whether the Senator's chronology is not at fault. My remembrance is that the Lausanne agreement was prior to the visit of M. Laval.

Mr. BORAH. The Senator is greatly mistaken.

Mr. MOSES. Then, I am glad to be corrected by the Senator from Idaho. I was speaking only from recollection.

Mr. BORAH. The Lausanne agreement was in 1932.

Mr. MOSES. And when was M. Laval here?

Mr. BORAH. He was here in October, 1931.

Mr. MOSES. I thank the Senator for setting me right.

Mr. BORAH. I am not sure as to the exact date, but I know that the Lausanne agreement—

Mr. MOSES. The priority was what I had in mind, and my impression was that the priority was the other way.

Mr. BORAH. No; the priority was as I have suggested, namely, that M. Laval's visit was prior to the adjustment at Lausanne. The Senator will readily realize that that is so, because Herriot was Prime Minister when the agreement was made at Lausanne while Laval was Prime Minister when he visited the United States.

Mr. MOSES. Yes; I recall that.

Mr. BORAH. I stated further in the debate on last Wednesday:

I do not mean to say that there was a definite agreement between M. Laval and the President that so-and-so would be done, but I do mean to say that there was sufficiency in the situation to justify the French nation, as a nation, in reaching the conclusion that if they gave up reparations they might in justice look to a reconsideration of the debt.

I referred the other day to some events which I said had taken place. All those events were made public, Mr. President; they were all a matter of public record. I refer now particularly to the New York Times. In its issue of October 8, 1931, the New York Times said:

One part of the statement—

Referring to the conference with the 32 Members of Congress—

One part of the statement issued by President Hoover at 12.40 this morning which expressed his purpose of discussing inter-governmental debts, and the current year's moratorium on their payment, with Premier Laval of France when he visits Washington this month, was changed materially before it was given to the press.

It was changed because of the objections which were made at the conference.

This was due—

Says the newspaper—

to objections to the original form raised by some of the Senators and Representatives who sat with the President in the Lincoln study for nearly three hours last night and considered with him his 6-point program for counteracting a dangerous domestic financial and economic situation.

Fear that the President might be committing the conferees to the moratorium's extension, or to modification of Europe's debts to the United States, was responsible for the objections raised. Practically one-half of the conference was devoted to debating the President's references to the forthcoming visit of the French Premier.

In its original form that part of the statement referring to international debts was construed by some of the conferees as bearing the implication that they would be bound to support ad-

ditional proposals respecting the moratorium or other features pertaining to intergovernmental debts.

There was confusion in the minds of several Senators and Representatives as to exactly what the President was suggesting in the language he employed in referring to the visit of M. Laval. Among some of them was an inclination to contend that the wording might lead to the inference that the President had been authorized by the conference to take important steps concerning future arrangements relating to the war-time and post war obligations of Europe to this Government.

Senator BORAH, chairman of the Committee on Foreign Relations, said, for example, that it would appear that if Senators and Representatives present accepted what had been read by the President it would give rise to the implication that the conference supported any change the President might make in the status of the nations' international debts. The contrary view was taken by Senator CARTER GLASS, of Virginia, who did not so interpret the President's statement.

In the end President Hoover agreed that the original statement was somewhat cloudy and consented to change it in such a way as to leave no implication that the conferees were committed in advance to whatever result might follow his discussion of "the question of such further arrangements as are imperative during the period of the depression in respect of intergovernmental debts," to quote the President's statement in its revised form.

To make this clear there was inserted in the final draft the phrase that the subject of intergovernmental debts "being a subject first of negotiations with foreign governments, was not submitted for determination at this evening's conference."

Mr. President, that news item states the facts just about as accurately as they could be stated. The President, in his program for relief of the economic conditions, made some eight propositions. The eighth proposition was the readjustment of international obligations pending the economic conditions then obtaining, and which are still obtaining. Owing to the objections which were made, however, the President withdrew the eighth proposition, so far as the action of the conference was concerned, and proposed to state it in his statement to the press as his individual action and dependent entirely upon his conversation with Laval.

Before leaving the newspaper items I desire to read a statement from the Washington Post of October 7, which says:

President Hoover at a momentous conference at the White House last night laid before a gathering of Republican and Democratic Members of Congress a sweeping program for lifting the United States out of an economic slough.

He did tell them, however, that when Premier Laval of France comes here on October 22 he is going to discuss the debt question with him.

"It is my purpose," he said, "to discuss with him the question of such further arrangements as are imperative during the period of the depression in respect of intergovernmental debts."

The policy of the American Government in this matter, he said, was set forth in his statement in connection with the 1-year moratorium on reparations and debts last June.

However, he added, America's problem now in this respect is one of "such adjustment during the period of depression as will at the same time aid our own and world recovery."

To some of the statesmen present this sounded like cancellation or revision talk, and several of them objected vigorously to any such discussion between the President and the French premier.

Representative JOHN N. GARNER (Democrat), of Texas, the Democratic leader in the House, is reported to have told the President that if he proposed anything in the way of an extension of the moratorium or a revision of the debts, he would do so on his own responsibility. GARNER is determined to fight even the 1-year moratorium when it comes up in Congress next December.

Senator WILLIAM E. BORAH (Republican), of Idaho, also was reported to have protested against any move at this time in connection with the international debts. Under certain conditions, some of them being revision of the Versailles treaty and the treaty of St. Germain, he might favor cancellation of debts.

So that when that conference was called on October 5 or 6, 1931, we were discussing the program which the President submitted to us. When we came to the question of the debts there was objection. Then the debts proposition was eliminated from that part of the program which the conference approved, and the debts proposition was left solely to the initiative of the President. That is what I undertook to state the other day. There was nothing new about it. There was nothing secret about it. It was a matter of public record, and thoroughly understood at the time.

When the President put out his statement next morning he said:

Therefore I propose the following definite program of action, to which I ask our citizens to give their full cooperation:

8. Premier Laval, of France, is visiting the United States. It is my purpose to discuss with him the question of such further arrangements as are imperative during the period of the depression in respect to intergovernmental debts. The policy of the American Government in this matter is well known and was set out by me in a public statement on June 20 in announcing the American proposal for a year's postponement of debt payments.

Our problem in this respect is one of such adjustment during the period of depression as will at the same time aid our own and world recovery. This being a subject first of negotiation with foreign governments, was not submitted for determination at this evening's conference.

No; it was not submitted for determination, because when the objection came it was understood that if it was submitted for determination the conference would decide against it. So it was withdrawn from the conference, and was not submitted for our action.

Mr. President, what was it natural for the French people, as a people, to understand from the statement that the President and Premier Laval were proposing to discuss intergovernmental debts with a view of readjusting them to meet the economic situation? I do not contend that there was a specific agreement that so-and-so would be done, but there was a statement to the effect that the international obligations would be discussed and considered in the light of present conditions, and the French people so understood it.

Now I call attention to the statement of the New York Times on October 25. This was after Premier Laval had arrived:

One of the most important conclusions understood to have been reached has a direct application to President Hoover's public declarations that the basis of the settlement of intergovernmental debts would continue to be the capacity under normal conditions of the debtor nations to pay. In announcing his moratorium proposal last June the President enunciated this principle and added:

"I am sure the American people have no desire to attempt to extract any sum beyond the capacity of any debtor to pay, and it is our view that broad vision requires that our Government should recognize the situation as it exists."

And that is precisely what I understood; not what was said, but what I understood was in the minds of the President and Premier Laval when they were talking about readjustment; that is, to determine the capacity of these nations to meet their obligations in view of the present economic condition.

While President Hoover adheres to the principle then enunciated and reaffirmed by him in the statement he issued on the morning of October 7, following a conference with more than 30 Senators and Representatives, it was gathered to-day that in consequence of representations made by M. Laval this Government will not call for a reexamination of the financial status of debtor nations, including Germany, in order to determine their capacity to resume payments of their intergovernmental debts, in whole or in part, at the conclusion of the moratorium period on June 30, 1932.

It was known that France did not desire to have the capacity of Germany to pay investigated.

The agreement reached, it was said, would insure that the processes laid down in the Young plan in connection with a German declaration of a moratorium would be followed.

It is inferred that there was considerable discussion between the President and the Premier over intergovernmental debts, including those of France and other European nations to the United States. That this was foremost in the President's mind when the visit of Premier Laval to America was arranged was made clear by him in the statement he issued after the White House conference with Senators and Representatives when he said:

"Premier Laval of France is visiting the United States. It is my purpose to discuss with him the question of such further arrangements as are imperative during the period of the depression in respect to intergovernmental debts. The policy of the American Government in this matter is well known and was set out by me in a public statement on June 20 in announcing the American proposal for a year's postponement of debt payments."

The statement referred to enunciated the principle of making intergovernmental debt payments contingent upon the capacity of debtor nations to pay. At the same time the President, by repeating his adherence to what was said on the subject in his mora-

torium proposal, declared his opposition to the cancellation of the debts owed to the United States Government by Europe.

I always understood that the President was opposed to cancellation; but, on the other hand, I always looked upon a "reexamination according to capacity to pay" as another form of cancellation.

The statement which the President read to his congressional conferees was read over the transatlantic radiophone by Secretary Stimson to Ambassador Edge in Paris, who in turn communicated it to M. Laval.

That is the statement which came out of the conference on the 5th or 6th of October.

With reference to that portion which dealt with M. Laval's prospective visit to Washington, Mr. Edge reported that the French Premier had expressed his approval of what was said by the President.

Farther on in this report of October 25 it is said:

In the forenoon President Hoover and Premier Laval had spent an hour together in continuation of their conversations of yesterday, but chiefly in going over the draft of the joint statement which they will issue to-morrow to give their countries and the world some insight into the scope and character of their consultations and the conclusions that have been reached. Later on the Premier went to the apartment of Secretary Mellon at Eighteenth Street and Massachusetts Avenue for a luncheon in his honor.

The expectation that the joint statement of President Hoover and Premier Laval will be phrased cautiously and in general terms is based on the realization that both have been obliged to keep in mind that they may run counter to hostile sentiments in the French Parliament and the United States Congress by making certain definite commitments at this time.

Then it explains Premier Laval's embarrassment:

As to President Hoover, his position is approximately similar in the sense that he must keep in mind what the reaction of the Senate, or perhaps the entire Congress, would be to any commitments with respect to intergovernmental debts, disarmament, and other subjects of an international character.

It is perfectly plain that the question of international obligations was discussed at length between the President and the Premier. It is perfectly plain that there was an understanding there that there would be a reconsideration in some form. As to any definite agreement as to what it should be I have not assumed to say. I do not know. I do not say that there was any, but that there was an understanding that there would be a reconsideration is shown by all the reports and by the communiqué which I am going now to read.

Mr. WATSON. Mr. President, will the Senator yield?

Mr. BORAH. I yield.

Mr. WATSON. I desire to ask the Senator one question. Does the Senator assume that enough was said between the President and Premier Laval, when he was over here, to justify France in defaulting her interest payment in December?

Mr. BORAH. No, Mr. President; I do not. I do not. I think the sound, statesmanlike position in this matter was taken by Herriot, the Premier of France. He contended, in a very powerful speech, that there had been such negotiations and discussions as justified the French people in asking for a continuation of time, in asking for a moratorium; but he said that he would not advise and would not support any proposition actually to default, regardless of what had taken place in the past. That, in my judgment, was a sound position; but it must be borne in mind that Herriot and the leaders were overridden by the Assembly, which Assembly was undoubtedly speaking the popular sentiment of France.

It was the popular sentiment of France to which I referred in the discussion last Saturday, and to which I refer now; that these pronouncements, these discussions in the papers, had created the opinion among the people of France that if reparations were readjusted there would be a reconsideration of the debt. The French press discussed that for weeks and weeks prior to the Lausanne conference and after the Lausanne conference. But it was no justification, as I have said, for refusal to pay. I think it was sufficient reason for the French nation to urge that there be some reconsideration of the debts. Whether it was justified in fact or not, they

so understood it. It was not a justification for actual non-payment, because the discussion went no further than an agreement to reconsider. The failure to reconsider could hardly justify a refusal to pay.

The statement which was made after the conference between Laval and the President contained these words:

In so far as intergovernmental obligations are concerned we recognize that prior to the expiration of the Hoover year of postponement some agreement regarding them may be necessary covering the period of business depression—

That is precisely the contention which I made in the debate last Wednesday, that some agreement would be necessary in order to meet the situation as it was presented by the depression.

as to the terms and conditions of which the two Governments make all reservations. The initiative in this matter should be taken at an early date by the European powers principally concerned within the framework of the agreements existing prior to July 1, 1931.

Thus, after the discussions had taken place and after the consideration had been given to the matter, which was given to it at length, they issued a combined statement to the effect that—

In so far as intergovernmental obligations—

Not intergovernmental debts, but intergovernmental obligations—

are concerned we recognize that prior to the expiration of the Hoover year of postponement some agreement regarding them may be necessary covering the period of business depression.

What effect would that naturally have upon the French people? What would they naturally suppose? They would suppose that there was to be a readjustment of international obligations covering the period of the depression, and that was the argument upon which they based their contention that the depression was still here. Their conditions were the same and they insisted upon a further consideration of the matter.

Then, may I call attention to the message of the President to Congress on the 10th of December? Bear in mind that after this conference with the Premier and after the issuance of this statement, signed by both, the President followed up the subject in his recommendation to the Congress. I ask upon what theory did he ask Congress to reconsider the matter if not for readjustment? He said:

As we approach the new year it is clear that a number of the governments indebted to us will be unable to meet further payments to us in full pending recovery in their economic life. It is useless to blind ourselves to an obvious fact. Therefore it will be necessary in some cases to make still further temporary adjustments.

The Congress has shared with the Executive in the past the consideration of questions arising from these debts. I am sure that it will commend itself to the Congress that the legislative branch of the Government should continue to share this responsibility. In order that we should be in position to deal with the situation, I recommend the re-creation of the World War Foreign Debt Commission, with authority to examine such problems as may arise in connection with these debts during the present economic emergency.

The conference at the White House was in October, 1931. The visit of Laval was about October 25, 1931. The message of the President followed in December, 1931, all of them discussing and having for their subject matter the question of a readjustment of these debts. While, as I have said, there is nothing here which would justify default, I have felt from the beginning that the French people in asking for time and a reconsideration ought not to be charged with bad faith, such as would be true had no such discussions taken place. I have no doubt in my mind but that France will pay the \$20,000,000. Such men as Herriot and the other leaders in France who are making a campaign to that end, in my opinion, will ultimately succeed in regard to it, and the debt will ultimately be paid in accordance with the terms of the obligation.

My view is, however, that these discussions led the French people to believe that they were entitled to more time, that they were entitled to a moratorium.

Mr. McKELLAR. Mr. President, why did not France, then, ask for a moratorium on the capital payment due in December? If she had desired, she had a perfect right, under the contract, to petition for a postponement for a limited time of the capital payment due at that time, and she did not even ask that. She seemed rather to stand by the agreement with other European nations at Lausanne rather than to ask for what she was entitled to ask.

Mr. BORAH. I think, as I said the other day, that France made a mistake in not paying this obligation. I think her default in her obligation can not be justified.

Mr. McKELLAR. Mr. President, if the Senator will permit me, I think that if Americans would quit talking about it, possibly France would pay.

Mr. BORAH. We had not been talking very much when the default took place, except this talk to which I have been referring.

I think that in all probability if there had been no moratorium, if there had been no discussion with Laval, if there had been no message to Congress, France would have paid without any further delay. Whether these things were wise or unwise, they led the French people to ask for time and a reconsideration. That is my position exactly.

Mr. JOHNSON. Mr. President, it is not my intention to enter into a defense of the President of the United States, however much I might be impelled to do that, concerning the particular matter under discussion here. Nor is it my intention, in rising, to be a part of any controversy which may exist between the Secretary of State, the Secretary of the Treasury, and the distinguished Senator from Idaho.

I confess that a casual reading of the two letters which were presented this morning from the Secretary of State and the Secretary of the Treasury did not impress me as a categorical or any other denial of anything that had occurred upon this floor.

There are some things which ought to be kept in mind by the Senate and by the American people. This is not the first time the argument has been made by France that something ought to be done and that a moral obligation existed on the part of the United States of America. That argument has been made ever since the last loan was made to France, 12 years ago. That argument has not only been made but it has been read into the RECORD here, and read into the RECORD during the discussion upon the French obligations by no less a person than the Senator from Idaho.

I do not intend to-day to answer the remarks the Senator made the other day, which it was my misfortune not to hear, because I was detained after having been on my feet for an unlimited period of time. I do not intend to-day, I say, to answer the speech the Senator made in favor of cancellation of the debts or in excuse of France. That is not my purpose now. On some other occasion, as soon as the pending banking bill is out of the way, I hope to address the Senate upon that subject and to answer, in the inadequate fashion that I have, concerning the Senator's remarks made on Wednesday last when this question was under discussion.

Keep in mind that France has denied substantially the indebtedness for 12 years past.

Remember that in 1925 our Government felt so keenly the situation when France and other nations declined to make an adjustment or a refunding agreement that we conveyed to the bankers of the United States an idea of the displeasure of the Government if they should permit any securities from those countries declining to refund to be put upon the American market.

Remember that during the time Berenger was here France's populace was tearing passion to tatters, and continued to do so for a long period thereafter, because he made any agreement.

No matter what may be said now in defense of France, and no matter what it may be asserted the people of the Republic of France may have believed, remember that when the moratorium was before the Congress of the United States the only party which had the right and the power to deal with

the subject, Congress attached to that moratorium, which then grudgingly it granted, the clause that the policy of this Nation was to neither cancel nor reduce nor revise the debts which were due to the United States of America from foreign countries.

I remember the fight upon the moratorium. A mere handful of Senators stood upon this floor asserting what has been asserted to-day by the Senator from Idaho. We were dealing in suspicions, perhaps, and in prophecies, for that little band which then made the fight had not the advantage, which attached to greater men in this body, of being a part of White House confidences and White House conferences. That little band here upon this floor for many days endeavored to present just exactly what has been presented to-day as to the activities of those who were in charge of the Government. I repeat, they presented suspicions, perhaps, not with personal knowledge, and there was no clarion voice upon the floor of the Senate, of any man at that time who was a part of those confidences or those conferences, raised here to tell the Senate of the United States what had been done or what had been said.

I would have preferred, if confidences were to be disclosed as to what then transpired in the meetings that were held at the White House in 1931, that those confidences might have been given to the Senate of the United States, the Congress of the United States, and the people of the United States, when we were dealing with a moratorium, which we knew then, if we knew anything, would lead to the difficulties which now beset us in relation to these debts.

In the very first sentences I uttered when I stood upon this floor opposing that moratorium, the sentences as to the great evil and the wrong being done to the people of the United States by the moratorium, I referred to what it meant afterwards, what it would mean in the future, in the settlement of the debts that were due to us from foreign countries. No aid came to us then, to the very few men who were making that fight, from the men who were a part of the White House conference, and nothing was told to the Senate or the people or any Member of Congress as to what then occurred.

Now, sir, when the Congress has acted, when every responsible man save perhaps the one who now sits in the White House, from the time these steps were inaugurated, has told the people of the world the exact situation, legally and otherwise, when we were discussing the warning that was annexed to the adoption of the moratorium, there is no excuse for any nation on the face of the earth asserting that they were given to understand or that we created a moral obligation in behalf of that nation by any action of any unauthorized person or any number of unauthorized persons. So, while there may have been in France a misunderstanding at the time those steps were before this Chamber as they were, that had been a common occurrence for years gone by; and not only that, but the very gentleman who appeared in France on the occasion when the matter was before the Chamber of Deputies—that very gentleman had been talking to his people during the campaign, taking to task America and telling the French practically they were under no obligation to America to pay the debts at all.

So, sir, I leave this situation. I leave it not that I do not sympathize with some people, if there were any abroad, who have been befuddled, but no part of any government, no part of any responsible statesmanship in Europe, could have misunderstood what the Congress did in the adoption of the moratorium and in the policy that was then by the Congress declared to be the policy of the American people.

Mr. BORAH. Mr. President, the statement of facts which I made on Wednesday and which I made to-day were public property. They were known to all men. They were published far and wide. They were published in the United States and in England and in France. They were called out the other day by the statement made by the able Senator from Oklahoma, but they were nothing in the way of news. There was no new information in them. Everything which I have said might have been gleaned from the public record and from the public press.

Mr. JOHNSON. Gleaned from the public record and the public press? Not so, sir. How was it a matter of news on Wednesday last? It was a matter of news throughout the United States of America when the Senator from Idaho took his fiery stand and made the remarks that he did. We were to depend, were we, when we sat here upon the moratorium, upon this very subject, upon some newspaper report, when the facts rested in the bosoms of certain Members of this body who knew them and nobody else except themselves knew them? Why not speak out then? Why not tell the Members of this body and the Members of the Congress of the United States? Beyond that, why not tell the American people, not that they must look to the New York Times or even the Washington Post to ascertain the facts of what may have transpired, but that they knew the facts and those facts ought to have been stated to their brethren upon this floor?

Mr. BORAH. The Senator from California did not need to rely upon the newspapers. He could have read the public documents signed by responsible public officers and had all the information that has been given to the Senate by the Senator from Idaho.

Mr. JOHNSON. That may be, but I think the Senator from Idaho possesses a wealth of information that the rest of us do not possess. I am willing to grant it.

Mr. BORAH. I am willing to admit it. [Laughter.]

Mr. JOHNSON. Of course, he possesses a wealth of information upon this subject that the rest of us do not possess, and he locked it in his own heart during the debate upon the moratorium.

Mr. BORAH. That is absolutely without foundation in fact.

Mr. JOHNSON. Did the Senator say a word during the moratorium?

Mr. BORAH. I did not say a word about the moratorium and the facts which I have discussed here.

Mr. JOHNSON. Did the Senator have aught to say during the progress of the moratorium debate in the Senate?

Mr. BORAH. I was in favor of the moratorium.

Mr. JOHNSON. Yes.

Mr. BORAH. And would be in favor of it now under the same circumstances.

Mr. JOHNSON. But the Senator did not have anything to say about it.

Mr. BORAH. No; because I was in favor of it.

Mr. JOHNSON. And when we were debating what had transpired during Laval's visit, did the Senator utter a word concerning it?

Mr. BORAH. I uttered it to the public press.

Mr. JOHNSON. The Senator uttered it to the public press.

Mr. BORAH. Yes.

Mr. JOHNSON. I grant the Senator that he can utter to the public press far beyond the rest of us. We can dismiss that aspect of it.

Mr. BORAH. I trust the Senator will not permit any feeling of that kind to control his judgment; but, Mr. President, there is nothing within my knowledge that was not within the knowledge of the Senator if the Senator desired to read the public press and desired to read public documents.

Mr. JOHNSON. That is absolutely inaccurate and, to utilize the words of the Senator from Idaho, it is utterly without foundation, because I have not the access to the White House nor to the gatherings at the White House nor the conferences nor the confidences that the Senator from Idaho has. I grant that very readily. I grant his stature. I grant his greatness. I grant him anything he desires in the unlimited wisdom he attributes to himself. I accord that readily and he has it. But for the love of Heaven, if we get another moratorium or another fight upon the debts and he knows anything about them, let him tell his colleagues and tell the American people. It is not in keeping with the Senator from Idaho to sit mute and silent during the discussion of such a question as the moratorium.

Mr. BORAH. I assume that the able Senator from California reads public documents. I assumed that he kept himself informed. Hereafter I shall start a kindergarten. [Laughter.]

Mr. JOHNSON. All right. I trust the Senator will start a kindergarten.

Mr. BORAH. He will have the Senator from California for the first student.

Mr. JOHNSON. It will be a kindergarten which the Senator from Idaho has not observed in this discussion. It will be a kindergarten of disclosure and of good faith.

Mr. President, I ask unanimous consent to insert in the RECORD at this point an article by Calvin Coolidge entitled "Settling the War Debts."

The VICE PRESIDENT. Without objection, it is so ordered.

The article is as follows:

[From Hearst's International-Cosmopolitan for July, 1932]

SETTLING THE WAR DEBTS¹

By Calvin Coolidge

It is highly desirable at all times that the nations of the world should dwell together in peace and harmony. The fact of our mutual existence makes some sort of relationship inescapable. Since we can not withdraw from each other, it is necessary that we do the best we can to understand each other and cooperate with each other. Such a policy requires an informed and conscientious public opinion.

Unless the purpose of the Government is restated from time to time, it tends to become obscured and forgotten. Concerning the general policy that was followed from 1921 to 1929 I can speak with some knowledge. In the main it was a scrupulous effort to discharge all our own international obligations to others and a courteous insistence that others should discharge their obligations to us. That was believed to be the best kind of foundation for mutual respect and friendship.

At the outset of this period the National Treasury was confronted with a world shortage of money. Credit was scarce. We had a large amount of short-term domestic obligations. These were gradually paid or refunded into long-term bonds. Also the Treasury held the notes of about 20 European countries, generally payable on demand with interest at 5 per cent, for about \$10,000,000,000, for funds advanced to them during the war and for supplies sold to them during the difficult months following the armistice.

All Europe was financially prostrate. Each nation had large domestic and foreign debts and their currencies were disorganized. The question of reparations was unsettled and almost nebulous. They all looked to us to assist in some method of liquidation and stabilization.

The situation was such that practically no payments were made to us on these obligations for several years. As we wanted to be helpful we let the debts stand. But in February, 1922, a law was enacted establishing a commission to negotiate settlements. It was not until January, 1923, that Great Britain, which was the first large debtor to take action, sent representatives to confer with our commission. We had waited nearly four years in order to give time to other countries to reestablish their finances.

While of course we wanted to recover our money, it should always be remembered that it was for the mutual benefit of debtor and creditor to secure international financial stability by removing uncertainties. At the first conference one of the British commissioners, Mr. Stanley Baldwin, then Chancellor of the Exchequer, said:

"Our wish is to approach the discussion as business men seeking a business solution of what is fundamentally a business problem. . . ."

"The cordial and prompt agreement of the two greatest democracies . . . will be . . . a long step forward in effecting a solution of the economic troubles in Europe. Let us never forget that until these troubles are solved there can be no general revival of international trade."

When such sentiment existed the success of the negotiations was assured. The principle of capacity to pay was established, a time payment was substituted for a demand payment, interest was reduced to an average of 3.306 per cent, and after \$104,000,000 had been paid in cash the balance of nearly \$4,075,000,000 principal and \$525,000,000 interest was funded into bonds payable in annual installments over a period of 62 years.

The report of the commission states:

"It is a business settlement fully preserving the integrity of the obligations, and it represents the first great step in the readjustment of the intergovernmental obligations growing out of the war."

This unparalleled transaction was considered so important that it was reported to the Congress by the President in person with this declaration:

¹AUTHOR'S NOTE.—The figures used herein are generally taken from the United States Treasury reports 1922-1926 of World War Foreign Debt Commission and from public statements issued by the Treasury.

"It is a recommitment of the English-speaking world to the validity of contract"

"It can not be unseemly to say it, and it is too important to be omitted, the failure of the British undertaking would have spread political and economic discouragement throughout the world and general repudiation would have likely followed in its wake. But here is kept faith—willingly kept, let it be recorded—and a covenant of peace"

These statements are not mere rhetoric. They show what the problem of that period was and the honorable efforts that were mutually made to find a helpful solution. Unless that is carefully kept in mind we do not have the necessary perspective for forming a judgment on the wisdom of the outcome. The mind of the world was relieved and encouraged. Certainty began to appear where all had been uncertainty. International credit was revived and men began to feel there was a more sure foundation on which the business of the nations could be transacted. Trade was stimulated and from that time there started a period of progress. These benefits were by no means confined to our own country, but reaching into all the markets of the world, carried new hope and cheer and opportunity to unnumbered people.

No doubt it may be argued that the payment on the debts was one cause of the depression which started more than six years later after several years of unusual prosperity. But any such statement lacks convincing proof. No European nation except Great Britain had paid an amount that could be said to have any effect on their national finances, and her payments were but about 4 per cent of the annual budget. France came next, paying \$30,000,000 in 1926, which was increased to \$40,000,000 for 1931. This was about 2 per cent of her budget and could not have been a great burden. Italy paid \$5,000,000 yearly until 1931 when the amount increased to \$12,100,000, which is a little over 1 per cent of her budget. When we look for the causes of the present depression we can not disregard the loss and destruction of the war, the present cost of great armaments, the burden of new social experiments, and assess the blame to the relatively small items of debt payments.

These were the motives entertained at the time. We had no way of exercising any compulsion nor any disposition to do so. We wanted settlement because we believed it was for our interest. The nations made settlement because they believed it was for their interest. It was intended to be mutually beneficial and morally correct.

Because of these reasons the various European nations except Armenia and Russia negotiated settlement of all their debts by 1926. With the exception of Belgium, France, Great Britain, Italy, and Serbia the settlements were entirely for debts contracted after the armistice. But on the basis of 5 per cent interest the present worth of the settlements made with these countries is so favorable to them that the debt of Belgium, Italy, and Serbia contracted before the armistice is more than eliminated, that of France is reduced to \$26,000,000, and only Great Britain is paying any considerable amount on the money borrowed while the war was in progress.

Our good faith toward European nations in the matter of the settlements was shown by the subsequent action of our people. Our convictions that they were reestablishing themselves financially were so strong, our willingness to help was so great, that large loans were floated in our markets for various national and local units of their governments, large investments were made in their industries, and large credits were extended to their banks. The whole history of our financial transactions with Europe in the last 15 years indicates anything rather than an intention or belief that our Government had placed burdens on her governments which were beyond their capacity to bear.

We have been presented with the argument a great many times in one form or another that the prosecution of the war was a common enterprise, in which all those engaged against the German powers should contribute an equal share, or at least a proportion, according to their resources of population and national wealth. The position is developed that as we came into the war late, and our losses were small in comparison with other large nations, we should pay more of the cost incurred by others in waging the war.

A short and entirely sufficient answer to these arguments is that each nation should do what it agreed to do. We never agreed to bear the expenses of any other nation and can not now be cited in and asked to make a larger contribution. Those whom we went to help were entirely content to have us come without imposing any terms requiring us to make them a contribution and they can not show any implied or express agreement that we should pay any part of their expense. In fact, the express agreements made at the time, in writing signed by the parties to be charged, and later carefully considered, revised, and reduced to the forms of international treaties formally ratified, not only release us from further payments but establish what payments should be made by various governments to us.

While the argument of a common enterprise, in which all should contribute a proportionate share, might apply to Britain, France, Russia, Serbia, and Belgium, the same reasoning does not apply to the United States. These countries, which later came to include Italy and Rumania, with several others, had interests, understandings, and situations which were entirely divorced from the objectives of the United States.

When the army and navy officers of Britain, France, and Russia began to collaborate long before the war on how they would meet a common peril, which all knew was the German power, however careful they were to insist on paper that they assumed no obliga-

tion to go to war to defend each other, yet their acts created a situation stronger than any treaty that made a united action certain if a common peril arose. Even if made separately and differing slightly in time, the declaration of war by the three great powers was essentially a united action.

With all these pre-war arrangements, the stage settings that aroused national fears and hatreds, we had neither lot nor part. If we had interfered our suggestions would probably have been resented, and we would have been told that our concerns were on this side of the Atlantic.

Whatever else may be said of us, we are blameless of the origins and the starting of the war. It was a purely European product. Our advice was not asked about it. Such efforts as we made to prevent or delay it were of no avail. The later suggestions of the President for peace without victory bore no fruit.

So far as we were concerned the war was not a common enterprise. The suggestion that we should make a large contribution to its cost because we came into it late is equivalent to saying we should pay a fine because we had not been one of the original disturbers of the peace of the world. If equities are to be considered, the costs of war would not be assessed against those who are entirely innocent of either provoking it or starting it.

We come out at the same place when we consider the suggestion that it was a long time after we declared war before our forces became effective, and meantime the entente was fighting to protect us. Our declaration did not change the origins of the conflict or make us in any way responsible for the losses of the combatants. Our entry put on them no new burdens but at once relieved and assisted them. This was especially true on the water, where our Navy began to function in a most effective and most needed way.

It is true we have certain ideals of government. We are not in sympathy with autocracy but favor individual liberty. We fought on the side where the preponderating influences were favorable to that policy. But we did not owe any nation a duty to go to war on its side because it had a free government, and no one would seriously consider our declaring war against a nation because we did not favor its form of domestic government. It was when our lives and property had been wantonly destroyed and the threat was made of further destruction that we felt we had a cause for war whatever may have been our previous sympathies. If anyone wants to go into equity, it will have to be decided that we were not the beneficiaries but the innocent victims of a war made by other nations. Instead of being bound to pay them we could make out a case for injuries which we suffered.

While in a sense our motives for going to war have little or no relation to the debts now due us and need not be considered in the same discussion, yet if fighting to maintain ideals has any merit we feel we are entitled credit in that direction. We did not make any agreements with other powers by which we conferred upon others for our own advantage, or received for ourselves, any property or territory of our adversaries. The President made that clear at the outset of the war. We sought no material gains. We did propose to defend our own established rights, save Europe, and give encouragement to free institutions under self-government everywhere. That was our idealism.

We have heard much discussion also about the effect of the debt payments on our foreign trade. After we had made our settlements and payments began to be made to us, our foreign trade and the foreign trade in general of all the world flourished. No one could say it would have been more or less if cancellation had taken place, but everyone would have to admit that the payments were not an insuperable obstacle to a very good foreign trade.

With all its unknown and unknowable factors it is not possible to make an accurate analysis of either foreign or domestic trade. But there are some features of its relationship to cancellation that seem plain. In the first place, to remit the debts would be a direct subsidy of over a quarter of a billion dollars per year to the government of foreign countries made for the assumed purpose of inducing their people to trade with our people. While that would be something distinctly new under the sun we ought not to discard it on that account without examination.

While there is some sentiment in trade, it is largely a matter of interest, going where it is most advantageous. The foreign people being relieved of certain taxes it is assumed would have more money to spend. But how can we be assured it would be expended here? The natural place for them to buy goods would be where the price was lowest. Our taxes would be higher, because the bonds we issued to get money to lend Europe must be paid. That would increase the cost of our production.

Instead of being better able to meet world competition and sell more goods to Europe, the chances would seem to be that our costs would be so high that Europe would not only find cheaper goods in other countries but would be better able than at present to take away our foreign trade in non-European countries. Subsidizing European Governments by handicapping our own producers does not seem likely to make their people turn from Australia, South America, Canada, Egypt, Russia, and India for agricultural products and raw materials and come to us. It is more likely our people would feel their competition more keenly in our home markets and in the world markets. If we wanted to go into the subsidy business we could find concerns on our own soil and governments outside of Europe where we could make the operation much more profitable.

But those who argue for cancellation for the benefit of trade give us one cause for encouragement. They concede that there exists some ability to pay. If goods are to be bought here, they must be paid for. Now, so far as exchange is concerned, it would

appear to a layman that when we hold a foreign note in the Treasury and have a stock of goods on the wharf, if the foreigner has the exchange to purchase the goods his government could purchase that exchange and apply it to the payment of the note.

Not only that, but to make such an operation at all profitable to us there would need to be a much larger amount of exchange than is necessary to meet the payments on the debts. If we are to give a bounty of a quarter of a billion we should have to sell many times that amount of goods before the profit would equal the bounty. Perhaps it would be easier and simpler all around to pay the debt and let foreign trade take its natural course.

A statement which Secretary Mellon made before the House Ways and Means Committee that "The entire foreign debt is not worth as much to the American people in dollars and cents as a prosperous Europe as a customer" has often been used as an argument favoring cancellation. It had no such implication. He made it in the course of a carefully prepared argument in favor of ratifying the settlements made by the Debt Commission, of which he was chairman, with Belgium and Italy. Many thought those settlements were not favorable to the United States, and there was considerable opposition to them in Congress and in the country. Their terms were much below what had been secured in the British settlement. Mr. Mellon was urging the committee to report in favor of the settlement. He was arguing in favor of payment according to capacity to pay and presenting the mutual trade advantages that would be derived not from cancellation but from settlement. It is entirely unfair and misleading to lift this one sentence out of its context and present it as a statement favoring cancellation. It was a statement favoring settlement.

In all the discussion of the debts one thing that our Government attempted to make clear was that we would in no way consent to their being involved with the question of reparations. The original notes given to secure the money and all subsequent agreements for settlement are the best evidence on this point. They were all unconditional stipulations to pay. We did not lend the money to Germany. We would not have advanced it to the Allies if they had intimidated we were to collect it from anyone else. No law or treaty binds us to look to any source but the debtor nations for payment. They have other property and income besides reparations.

The law establishing the debt commission especially provided that no bond of another country was to be substituted for the bond of the debtor nation. Our Government has refused to participate in reparation settlements, but has always stated that reparations should be paid to the extent of the ability of Germany to pay. We did suggest that private citizens of the United States could be secured to assist in a settlement. That was done twice. General Dawes was chairman of a commission that made the first arrangement which bore the name of the Dawes plan.

When the next settlement was projected I did not want one of our citizens to act as chairman. I knew the plan would then bear his name and for that reason would probably be made injurious to us in Europe. Germany would blame us because the burden was too great, and the entente would blame us because it was too small. Yet when Mr. Owen D. Young reached Europe he and his associates were convinced their efforts would fail unless he was made chairman, so he reluctantly assumed that responsibility in order to help those who needed our help. Our people furnished a generous share of the money Germany required to put the Young plan into operation.

It is sometimes represented that the British expended all they borrowed from us in the purchase of materials in our markets. That does not pay the debt. We bought materials and services in their markets and paid cash. We are not therefore asking our money be returned to us. Sometimes it is claimed Britain borrowed to lend others. That does not pay the debt. The implication is that it was our business to furnish the money they furnished. From April 1, 1917, to September 30, 1922, Britain loaned France about \$1,375,000,000 while we loaned France \$3,340,000,000; Britain loaned Italy about \$1,170,000,000, while we loaned Italy \$1,647,000,000; Britain loaned Belgium about \$240,000,000 while we loaned Belgium \$377,000,000; and meantime we had loaned net to the British \$4,074,000,000.

But we get little help from specific figures or reasons for making the loans. In the main we furnished money to carry on the war. Others borrowed it for that general purpose. After the armistice we furnished more money for food, supplies, and reconstruction. Years after we settled the bill of \$11,565,000,000 on a present worth basis at 5 per cent interest for \$5,888,000,000. We thought that was within the capacity of the debtors to pay. We knew they must get the means to pay by producing goods and selling services. That is the way we got the means to make the loans. If we could produce these results within three years, we thought Europe could make the return to us in 62 years.

I know we were not trying to overreach anybody nor trying to drive a hard bargain. The money we furnished we had to borrow. Some one must pay it. It can not be canceled. If we do not collect it from Europe, we must collect it from our own taxpayers. There was no power on this side of the Atlantic to make a generous gesture at the expense of someone else. Such generosity as we extended we were going to pay for ourselves.

Appearances indicate we may be told conditions have changed since the settlements were made and therefore they should be reviewed. That contingency was foreseen and the agreements in general provide, at the option of the debtors, for suspensions in payments in whole or in part of from one to three years. No one has yet sought that relief which could properly be asked without criticism of any candid applicant. While the present moratorium,

in which we made the largest sacrifice and got the most blame, expires July 1, further payments on the debts are not generally due until December 15, so there is time for deliberation.

What may be in the mind of our Government I do not know. Not being familiar with the inside of recent developments, I do not presume to speculate on them. But I do know what took place at the time of the settlements. We were seeking to restore faith in international financial integrity for the good of the world.

In this we had in general the cooperation of Europe. Whatever may hereafter develop, I believe all concerned after years of investigation and thought then took the course they considered was wisest and best.

MERCHANT MARINE

Mr. WHITE. Mr. President, a few days ago at a merchant-marine conference held in this city the senior Senator from New York [Mr. COPELAND] delivered a most informing address on certain phases of our merchant-marine problem. That address had in it so much of public interest that I ask unanimous consent that it may be printed in the RECORD.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The address is as follows:

This is a time when the prudent business man takes more serious account of his prospects than he ever did before. It is a time when every branch of government is seeking economies and further economies. It is a time when the citizen is looking with critical eye upon every prospective appropriation.

In the years of abundance it was not difficult to win votes for any measure that promised national advantage. In those days the Congress enacted measures that did much to promote maritime transportation.

We face a different situation to-day. Every expenditure is under fire. Those measures of vital importance to the shipping interests are no exception to the rule.

You will pardon me for referring to it, but that harmonious cooperation for which I have pleaded with you for years has become imperative. It was desirable always, but the time has come when the shipping industry must subordinate every difference and stand shoulder to shoulder. United effort is essential to preservation.

In presenting the case to the American people it should be unnecessary to recount the advantages of an effective merchant marine. As we progress in international disarmament, the significance of merchant ships for the war of commerce should become increasingly apparent. As we decrease the personnel of the Navy that institution will become less and less a training school for service in the merchant fleet. As we lessen the activity of our navy yards the training of architects and workers in shipbuilding must be left to the merchant shipyards. Unless these are manned and utilized, shipbuilding will become a lost art in the United States.

Not long ago I witnessed the launching of a great ship. It made my heart throb with joy to see that noble vessel slide into the sea, adding strength to American shipping and wealth to the American people. But joy turned to sadness when the vessel moved away from the launching platform, leaving an unobstructed view of the empty berths, the desolate and vacant shipyard.

It may be we have made ample provision for our immediate needs so far as passenger and combined passenger-and-freight boats are concerned. But what about freighters and the more humble members of the ship family? Are we meeting our national requirements?

If figures indicate anything, the United States is not keeping up in the race to control our share of the world's shipping. What we have done recently is almost nothing compared to the accomplishments of other nations.

Assuming that our country desires to maintain a place of respectability on the sea, it will not be amiss to study briefly what other nations are doing about shipping. If there is general stagnation in this industry, we might make that an excuse for our own inactivity and a justification for delay. Under such circumstances, postponement might be excusable, although abandonment of our well-thought-out plan would be a crime against future prosperity.

Our thoughts turn naturally to Great Britain. What is that great country doing about shipping?

As a result of the British imperial economic conference held at Ottawa late last year, bilateral trade agreements were signed by the participating British countries. Under this plan, the United Kingdom undertakes to levy duties on certain non-Empire imports and to control by quotas the importation of other products. Inter-Dominion agreements are provided for similar preferential treatment.

No one can doubt that the real object of this conference was to increase the use of British Empire goods as between their respective countries. Such increase in trade will undoubtedly react to the benefit of British shipping.

It is even more interesting to see what the great powers have done in the way of entering into partnership with their respective shipping concerns. If they have not gone into business on their own account, they have at least gone into partnership with business. Indeed, one of the outstanding developments in 1932 was an increased government share in the management of large ship companies and ship mergers.

Another outstanding development in shipping circles is the proposed reduction of overaged tonnage. Various plans have been formulated for condemning and scrapping vessels against certain indemnities undertaken or advanced by governments.

In Germany, for example, the Government has set aside approximately \$3,000,000 to assist in breaking up 400,000 tons of obsolete vessels. This represents about 10 per cent of Germany's commercial shipping tonnage.

Agreement has been made to scrap old vessels of over 500 gross tons and launched before January 1, 1913. They are to be broken up in German shipyards. The owner is entitled to a subsidy for each gross ton of vessels scrapped. The scrapping of this tonnage has the dual object of disposing of overaged ships, and also of furnishing employment to shipyards. The breaking up of old ships has been distributed amongst 15 of the principal shipyards.

The German Government is now represented on the board of the Hamburg-American and North German Lloyd merger. Early in 1932 these companies were unable to meet their maturing bank loans. The German Government entered the picture and provided a financial guaranty, conditioned upon the company itself undertaking certain changes in its financial structure. It was agreed, too, that the Government should nominate 8 of the 28 directors of the merger company.

The German Government has gone farther than we ever did. It undertook in 1932 to guarantee loans to tramp owners up to \$1,660,000.

The French Government is represented on the board of the reorganized company, "Compagnie Générale Transatlantique." Under the reorganization scheme the Government now becomes the controlling creditor.

The various units of this company have been operating under a subsidy which has now been merged into a single annual subsidy covering all units of the line. In the reorganization, the French Government increases its aid to this line and, as I have said, is represented on its board of directors.

Last April the maritime credit law was modified to encourage the construction of new ships. The modified act entitles the borrower to about 35 per cent of the entire cost of construction. In the years 1928, 1929, 1930, and 1931 loans authorized under the credit act made possible a large part of the construction of French vessels.

Under the auspices of the Italian Government important regrouping and mergers of representative Italian shipping companies have been accomplished. Six Adriatic companies have been consolidated into one. Two trans-Atlantic companies have been consolidated. Five Mediterranean, Black Sea, and Far East services have been consolidated.

Each of these consolidated lines has been subsidized. In place of subsidies to each of the separate lines an increased subsidy to the merger company has been authorized.

The most spectacular combination of the year was that of the Lloyd Sabaudo, the Navigazione Generale Italiana, and the Consulich companies into the merger known as the Italia.

The superliners *Rex* and *Conte di Savoia*, which have recently gone into operation between Italian ports and New York, received a loan in 1930 of about \$15,600,000 to aid in their construction. It is reported that the Italian Government assumes about \$15,000,000 of the insurance upon these two vessels through the National Insurance Institute. Under a new law Italian cargo ships were granted a subsidy for a period of one year from January 1, 1932. This was calculated according to the size of ship, age of ship, and distance sailed.

The Japanese Government has granted subsidies for the scrapping of obsolete ships, conditioned upon the owners of such ships building new ones. This subsidy is provided under a two-for-one plan, under which owners are entitled to a subsidy for each new ton of construction, provided two tons of old tonnage are scrapped.

It is contemplated that this program should continue during three years, and it has been reported that the Government has in mind the scrapping of fully 400,000 tons of shipping under this scheme. It is also reported that several companies have already started new construction or contemplate doing so under the provisions of this act. Any vessel built must be constructed in Japanese shipyards, must be in excess of 4,000 gross tons, and vessels scrapped must be in excess of 1,000 gross tons each and in service at least 25 years.

Interest in the promotion of shipping affairs in Japan has resulted in an organization known as the Shipping Standard Improvement Association. This association has been formed under the auspices of the Ministry of Communications.

Amongst the 10 promotional functions of this organization the following are the most important:

First. Adjustment of demand and supply of vessels to be built or scrapped.

Second. Establishment of a subsidy scheme each year to meet current conditions.

Third. A further program for scrapping and building.

Fourth. Promotion of facilities to shipowners for financing construction of vessels.

The Netherlands Government is providing a temporary maritime credit fund. It holds a voice in the reorganization and management of companies which are the beneficiaries of that fund.

The Spanish Government has broken the Trans-Atlantica 1925 contract and has taken an active part in the reorganization of that company.

The Greek Government reestablished the Greek-New York service against certain subsidies. It caused a merger of their prin-

cipal coastal services, besides undertaking a renewal of obsolete tonnage in these services.

It must be apparent that the European maritime nations are undismayed by the world cataclysm. They appear to believe this is no time to abandon the merchant marine. In spite of international debts and the many other obstacles to economic recovery, they continue to support the shipping industry. They regard its preservation as essential to the welfare of their respective countries.

Who can question that this is a time when the American merchant marine must be loyally supported? No fetish of false economy must be permitted to interfere with this essential factor in our own national welfare and development.

Governmental economies must be practiced to the nth degree. Wherever there is a nonessential activity it must be curtailed or abolished. But in the haste to save money it would be most unwise not to exercise nice discrimination. It is possible to be "penny-wise and pound-foolish." One can hold a silver dollar so close to the eye as to shut from view a world of wealth. Our official economies must be sensible efforts to reduce, without incurring the dangers of permanent harm to the body politic.

As I see it, the merchant marine must be preserved, no matter what surgery is applied elsewhere. Unless with the full approval of those who apply the funds, no violent effort at curtailment is justified. There must be the frankest possible discussion of all such matters. Conferences to this end should be in the spirit of sympathetic cooperation and not battles of stubborn and bitter antagonism.

The flag must find its way to the ports of the seven seas. Our merchantmen are traveling salesmen and ambassadors of good will. There can be no hope of reduced surpluses unless foreign trade is maintained and extended. Without aid something like that given by other maritime nations to their shipping men our shipping industry could not long survive. The construction loans, mail subventions, and other aids to American shipping are essential for success.

The recent wall from London about subsidies paid to American shipping is little less than hypocritical. Indeed, it is laughable to have a Britisher find fault with ship subsidies. If anybody in the world has been generously treated, it is the English shipowner. Every informed person knows how far Great Britain has gone in support of her merchant marine. It was not until our country used similar methods that any considerable portion of our own commerce was carried in American bottoms.

It would be thrillingly welcome to British shipping interests for them to learn that the United States has cast adrift our developing fleets. As the British tiger consumed our abandoned commerce, there would be a broad smile on the face of the tiger. But so long as the Jones-White Act remains intact that smile will continue to be hidden behind the snarl caused by the unwillingness of Sir Alan Anderson to compete in a fair field.

Has the prolonged economic pressure caused such a weakening of the old-fashioned British character that our cousins across the sea have become hysterical? To say the least, it does not harmonize with their traditional sportsmanship to find that the cards are being stacked against the United States. Let me place the facts before you and see if they give evidence of an attempt to stack the deck.

The British Chamber of Shipping has just adopted a report on merchant-marine policy. This has been, or will be, reported to the Government for its use during the forthcoming world economic conference.

I wish time permitted the reading of the full report, but I want the audience to listen to the ninth recommendation. It reads as follows:

"Viewing the position as a whole, we recommend that both pending the conference and at the conference itself Great Britain should endeavor to secure the cooperation of as many nations as possible pledged to and for the reestablishment of world trade through the removal of trade barriers, including the modification of tariffs upon the goods carried, and the removal of all forms of discrimination (including subsidies) in favor of ships under the national flag by which goods are carried. We further recommend that Great Britain and those cooperating nations should agree to confine most-favored-nation treatment to each other's trade and shipping."

Talk about secret diplomacy! What is the purpose of the world economic conference? Is it not to be a forum for free, frank, and unprejudiced discussion of world conditions? Or is it to be a place where Uncle Sam will lose his shirt because of secret agreements made in advance?

The eighth recommendation of this report speaks of the "methods of reservation, restriction, and discrimination, as regards shipping, that are, or could be made, available to this country (England) if it be forced * * * to take retaliatory steps in defense of its own shipping."

But England does not wish to retaliate. She proposes to set up the pins in advance and gain her point before we have a chance to confer with anybody.

She complains about discrimination which "takes the form of building or operating subsidies." This has a strange sound when one considers that it comes from a nation that has aided its shipping for 500 years—since the fourteenth century, indeed.

Let me call to your attention that under the British trade facilities acts about one-third of the guaranties given to industry by England went to shipbuilding loans. From 1921 through 1926 this amounted to \$114,000,000.

In 1922 the Government of Northern Ireland made available for ship construction about \$53,000,000. Added to the English contribution, this makes, at par, about \$167,000,000 in our money. The amount loaned for the United States Shipping Board construction fund is about \$136,000,000. Poor little Great Britain now complaining so bitterly has advanced within a dozen years \$30,000,000 more for shipbuilding than this terrible old United States.

A British shipping journal defended this construction program, saying:

"As a matter of fact, these ships were built for service on routes which would otherwise have been developed by the United States Shipping Board and, therefore, their construction promoted British interests, directly and indirectly. It may be added that the bulk of the tonnage built under the trade facilities acts was specialized tonnage of the highest class whose existence to-day, more especially in the South American services, keeps the British flag in a leading position on trade routes on which the Americans, the Germans, and the Italians have made a serious bid for supremacy. What would have been the position to-day on these routes if these British ships had not been built? Inevitably foreign vessels would be getting the business and several thousand of British merchant officers and men would be idle."

Ponder these things and then ask yourself how any American can stand idly by and let Great Britain outgeneral us in the war for trade. Dead indeed must be the soul of a citizen of our country who would advocate a change in our maritime policy, a policy which has in it the hope of wresting from England the proud title, "mistress of the sea."

If I understand it, the American shipping interests are asking no special favors. They are not demanding more than English, French, Dutch, and Italian shipowners enjoy. As a matter of fact they are getting much less. All they seek is a fair chance to compete in the race for maritime supremacy.

Let no American forget that while England and her European allies were begging us for "ships, ships, and more ships," she had no complaint to make of our appropriations for their building. We poured hundreds of millions of the taxpayers' money into our shipyards. That is when we spent the vast sum of which Sir Alan Anderson complains. It was that great enterprise on our part that had much to do with winning the war. It comes with poor grace for any Britisher to throw bricks now at a policy determined upon when all the Western European world was begging for this particular form of assistance. Neither can we be blamed if we use what is left of these expensive ships to give us some small return for the flood of gold they cost.

The thing that hurts our critic is that our adoption of English methods has made the United States a factor in world trade. In 1913 we had so small a part in international sea-borne carrying trade that our tonnage was only 2 per cent of the world total. Indeed, we stood eighth in the list. Now we have reached second place, with 12 per cent of world total tonnage.

Where, before the war, our own ships carried a very, very small part of our own commerce, now, I am proud to say, in American bottoms 34 per cent of American commerce is carried. We shall not be satisfied until at least one-half our goods are transported in our own ships.

I am confident no American statesman will be moved by British critics to abandon the wise policy that has met such great success in so short a time. By persisting in our course, American agriculture, labor, and industry will reap rich rewards from our increasing commerce. The mail subventions are an essential part of this program.

I can not end my remarks without saying a word about the construction loan fund. That is a subject of importance to this conference.

The Congress has been most generous in its treatment of agriculture, the railroads, and banks. It has provided for human relief and aided the States. The Federal Farm Board, joint-stock banks, Federal land banks, Reconstruction Finance Corporation, and other governmental agencies have found it necessary to compromise claims. Adjustments have been made and will have to be made. Our lawmakers recognize that in the face of continuing economic distress concessions are absolutely necessary.

The same course will need to be followed in the matter of construction loans. If legislation is required, it should be formulated. I am confident that the Shipping Board, ever alert to the highest welfare of the merchant marine, will point out avenues of relief. There must be no foreclosures or bankruptcies. We must not encourage our competitors by any disastrous performances.

With money as cheap as it is and all the loans being self-liquidating no new hazards will be created by generous extensions and readjustments. The only point in mentioning the matter is to let it be known that we anticipate such action. When the Shipping Board moves we are prepared to indorse their decisions. That, as I view it, is the natural and proper view to take in an unexpected economic crisis.

I thank you for the courtesy of this hearing. Of course, I can not leave the floor without my annual exhortation that you stand and act together. You have great power when you are united. I hope you will face the future as a family of brothers, a family with like ambitions, like hopes, and united in spirit.

DEATH OF REPRESENTATIVE KENDALL, OF PENNSYLVANIA

The VICE PRESIDENT. The Chair lays before the Senate resolutions of the House of Representatives, which will be read.

The Chief Clerk read the resolutions (H. Res. 345), as follows:

IN THE HOUSE OF REPRESENTATIVES,

January 9, 1933.

Resolved, That the House has heard with profound sorrow of the death of Hon. SAMUEL A. KENDALL, a Representative from the State of Pennsylvania.

Resolved, That a committee of 12 Members of the House, with such Members of the Senate as may be joined, be appointed to attend the funeral.

Resolved, That the Sergeant at Arms of the House be authorized and directed to take such steps as may be necessary for carrying out the provisions of these resolutions and that the necessary expenses in connection therewith be paid out of the contingent fund of the House.

Resolved, That the Clerk communicate these resolutions to the Senate and transmit a copy thereof to the family of the deceased.

Resolved, That as a further mark of respect this House do now adjourn.

Mr. DAVIS. Mr. President, on behalf of myself and my colleague [Mr. REED] I send to the desk resolutions, for which I ask immediate consideration.

The VICE PRESIDENT. The resolutions will be read for the information of the Senate.

The resolutions (S. Res. 319) were read, considered by unanimous consent, and unanimously agreed to, as follows:

Resolved, That the Senate has heard with profound sorrow the announcement of the death of Hon. SAMUEL AUSTIN KENDALL, late a Representative from the State of Pennsylvania.

Resolved, That a committee of eight Senators be appointed by the Vice President to join the committee appointed on the part of the House of Representatives to attend the funeral of the deceased Representative.

Resolved, That the Secretary communicate these resolutions to the House of Representatives and transmit a copy thereof to the family of the deceased.

Under the second resolution the Vice President appointed as the committee on the part of the Senate the senior Senator from Pennsylvania [Mr. REED], the junior Senator from Pennsylvania [Mr. DAVIS], the junior Senator from Nevada [Mr. ODDIE], the junior Senator from Florida [Mr. TRAMMELL], the junior Senator from Maine [Mr. WHITE], the junior Senator from South Dakota [Mr. BULOW], the junior Senator from New Jersey [Mr. BARBOUR], and the junior Senator from South Carolina [Mr. BYRNES].

DEATH OF REPRESENTATIVE BUTLER, OF OREGON

The VICE PRESIDENT. The Chair lays before the Senate resolutions of the House of Representatives, which will be read.

The Chief Clerk read the resolutions (H. Res. 344), as follows:

IN THE HOUSE OF REPRESENTATIVES,

January 9, 1933.

Resolved, That the House has heard with profound sorrow of the death of Hon. ROBERT R. BUTLER, a Representative from the State of Oregon.

Resolved, That a committee of 12 Members of the House, with such Members of the Senate as may be joined, be appointed to attend the funeral.

Resolved, That the Sergeant at Arms of the House be authorized and directed to take such steps as may be necessary for carrying out the provisions of these resolutions, and that the necessary expenses in connection therewith be paid out of the contingent fund of the House.

Resolved, That the Clerk communicate these resolutions to the Senate and transmit a copy thereof to the family of the deceased.

Resolved, That as a further mark of respect this House do now adjourn.

Mr. McNARY. Mr. President, I submit the following resolutions and ask for their immediate consideration.

The VICE PRESIDENT. The resolutions will be read for the information of the Senate.

The resolutions (S. Res. 320) were read, considered by unanimous consent, and unanimously agreed to, as follows:

Resolved, That the Senate has heard with profound sorrow the announcement of the death of Hon. ROBERT R. BUTLER, late a Representative from the State of Oregon.

Resolved, That a committee of eight Senators be appointed by the Vice President to join the committee appointed on the part of the House of Representatives to attend the funeral of the deceased Representative.

Resolved, That the Secretary communicate these resolutions to the House of Representatives and transmit a copy thereof to the family of the deceased.

Mr. McNARY. Mr. President, as a further mark of respect to the memory of the deceased Representatives, I move that the Senate do now adjourn.

The motion was unanimously agreed to; and the Senate (at 4 o'clock and 10 minutes p. m.) adjourned until tomorrow, Tuesday, January 10, 1933, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate January 9 (legislative day of January 6), 1933

MEMBER OF THE FEDERAL POWER COMMISSION

Samuel S. Arentz, of Nevada, to be a member of the Federal Power Commission for the remainder of the term expiring June 22, 1933, vice Ralph B. Williamson, deceased.

MEMBER OF THE FEDERAL RESERVE BOARD

Wayland W. Magee, of Nebraska, to be a member of the Federal Reserve Board for a term of 10 years from January 25, 1933. (Reappointment.)

HOUSE OF REPRESENTATIVES

MONDAY, JANUARY 9, 1933

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Almighty God, unto whom all hearts are open, all desires known, and from whom no secrets are hid, cleanse the thoughts of our hearts by the inspiration of Thy holy spirit that we may perfectly love Thee and worthily magnify Thy holy name. Heavenly Father, we wait with bowed heads; we mourn our loss; again we wait; let the richest blessings of Thy peace and rest that run from yesterday, to-day, and forever, abide with all those who are left in the shadows of their great affliction. Through Jesus Christ our Lord. Amen.

The Journal of the proceedings of Friday, January 6, 1933, was read and approved.

RIZAL AND FILIPINO LIBERTY

Mr. OSIAS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. OSIAS. Mr. Speaker, under leave to extend my remarks in the RECORD I insert an address I delivered at the exercises commemorating the thirty-sixth anniversary of the execution of José Rizal, the greatest Filipino martyr, held under the auspices of the Filipino Club, Washington, D. C., December 30, 1932.

The address follows:

RIZAL AND FILIPINO LIBERTY

By CAMILO OSIAS, Resident Commissioner from the Philippines

We honor and benefit ourselves by commemorating the day when the greatest Filipino made the supreme sacrifice for the cause of freedom. Thirty-six years ago this day the enemies of Philippine freedom executed, on the field of Bagumbayan near Manila Bay, the man who gave new meaning to Filipino nationality and whose life and service gave new impetus to the movement for social and political reform and Filipino liberty.

José Rizal was a safe and inspiring leader. He was steeped in the facts of history. By his travels, observations, and investigations he learned the past of his people and of other peoples so as to be able to interpret the present and visualize the future. He, for example, read, digested, and later annotated, Morga's *Sucesos de las Islas Filipinas*, a work of rare historical value which many of his countrymen do not know. He closely watched contemporary events and social currents and interpreted them accurately. He made sure of every important step he took.

With an uncommon catholicity of mind he wrote and labored to have his people keep pace with the march of progress. He lived abundantly and served to the limit. Craig, the author of *Lineage, Life, and Labors of José Rizal*, made an accurate appraisal when he said:

"Rizal had now done all that he could for his country; he had shown them by Morga what they were when Spain found them; through Noli Me Tangere he had painted their condition after 300 years of Spanish influence; and in *El Filibusterismo* he had pictured what their future must be if better counsels did not prevail in the colony."

This Filipino thinker had an uncanny ability to scan the future. He had in fact the gift of prophecy. One of his biographers was amply justified in calling him "America's forerunner" in the Philippines.

He was no doubt influenced greatly by the books he read and assimilated. Among the many volumes which he studied with great care was the book written by Feodor Jagor, a German traveler and scientist, which is almost a closed book to many Filipinos. It has been translated into Spanish by S. Vidal y Soler under the title *Viajes por Filipinas*. An English translation is also available under the title *Travels in the Philippines*. Jagor, in the last chapter, entered into a disquisition on the expansion of the United States with a hint of the extension of her influence over the Philippines. If it is borne in mind that his work was published toward the end of the third quarter of the nineteenth century, the following observations are of timely interest:

"In proportion as the navigation of the west coast of America extends the influence of the American element over the South Sea the captivating magic power which the great Republic exercises over the Spanish colonies will not fail to make itself felt also in the Philippines. The Americans are evidently destined to bring to a full development the germs originated by the Spaniards. As conquerors of modern times, representing the age of free citizens in contrast to the age of knighthood, they follow with the plow and the ax of the pioneer, where the former advanced under the sign of the cross with their swords."

"A considerable portion of Spanish America already belongs to the United States, and has since attained an importance which could not possibly have been anticipated either under the Spanish Government or during the anarchy which followed. With regard to permanence the Spanish system can not for a moment be compared with that of America. While each of the colonies, in order to favor a privileged class by immediate gains, exhausted still more the already enfeebled population of the metropolis by the withdrawal of the best of its ability, America, on the contrary, has attracted to itself from all countries the most energetic element, which, once on its soil and freed from all fetters, restlessly progressing, has extended its power and influence still further and further. The Philippines will escape the action of the two great neighboring powers all the less for the fact that neither they nor their metropolis find their condition of a stable and well-balanced nature."

"It seems to be desirable for the Filipinos that the above-mentioned views should not speedily become accomplished facts, because their education and training hitherto have not been of a nature to prepare them successfully to compete with either of the other two energetic, creative, and progressive nations." (Jagor's *Travels in the Philippines*, in *Craig-Benitez Philippine Progress Prior to 1898*, pp. 355-356.)

Years later José Rizal wrote a series of articles in *La Solidaridad*, a fortnightly organ founded by patriotic Filipinos in Spain, on the Philippines within a century (*Filipinas Dentro De Cien Años*). These analytical studies were published during the period from September 30, 1889, to January 31, 1890. One of these began with the questions: "What of the Philippine Islands a century hence? Will they remain as a Spanish colony?" After a thought-provoking analysis of the pertinent facts and factors, Rizal concluded: "In fine * * * the moral advance and progress of the Philippines is inevitable * * *. The islands can not continue in the state in which they find themselves without securing from the metropolis greater liberties * * *. The Philippines, therefore, will either continue as a part of the Spanish dominion, but with more right and more liberties, or she will declare herself independent after much bloodshed * * *."

Another article of the series commenced with these words, which I have translated from the Spanish original: "History does not record in its annals any lasting domination exercised by one people over another of different races, of alien usages and customs, and of opposing or divergent ideals."

In still another article published in January, 1890, or eight years before the United States declared war against Spain, Rizal, after analyzing the situation of many countries, wrote these wonderfully prophetic words: "Perhaps the great American Republic whose interests are found in the Pacific and which has no participation in the spoils of Africa, may some day think of possessions overseas. Such is not impossible, for example is contagious, and selfishness and ambition are vices of the mighty * * *." (No es imposible, pues el ejemplo es contagioso, la codicia y la ambición son vicios de los fuertes * * *. *La Solidaridad*, Tomo II, Num. 24, Madrid, 31 Enero 1890.)

It may be well to recall that the Philippines had a long history of relations with the North American continent. It was from Navidad, Mexico, that Legaspi's expedition started on November 21, 1564, which led to the founding of the first settlement in Cebu in 1565 and of Manila in 1571. For two centuries and a half under the Spanish rule the galleon trade was carried on between Manila and Acapulco. The Mexican peso was in circulation in the Philippines until it depreciated so greatly in value in 1903 when the present decimal currency supplanted it as an outcome of the act of the United States Congress of May, 1902, establishing a Philippine coinage on a gold basis.

Less than two years after Rizal was executed, came the surrender of Manila and later the occupation of the Philippines by another country from North America, the United States.

Mabini, whose education was obtained wholly in the Philippines, and Rizal, who found light and learning in different countries and climes, are examples of Filipino patriot writers who